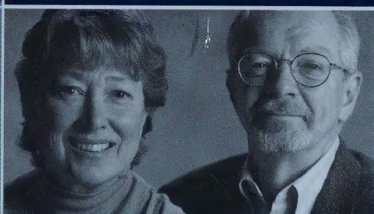
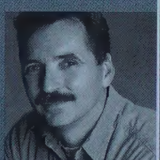
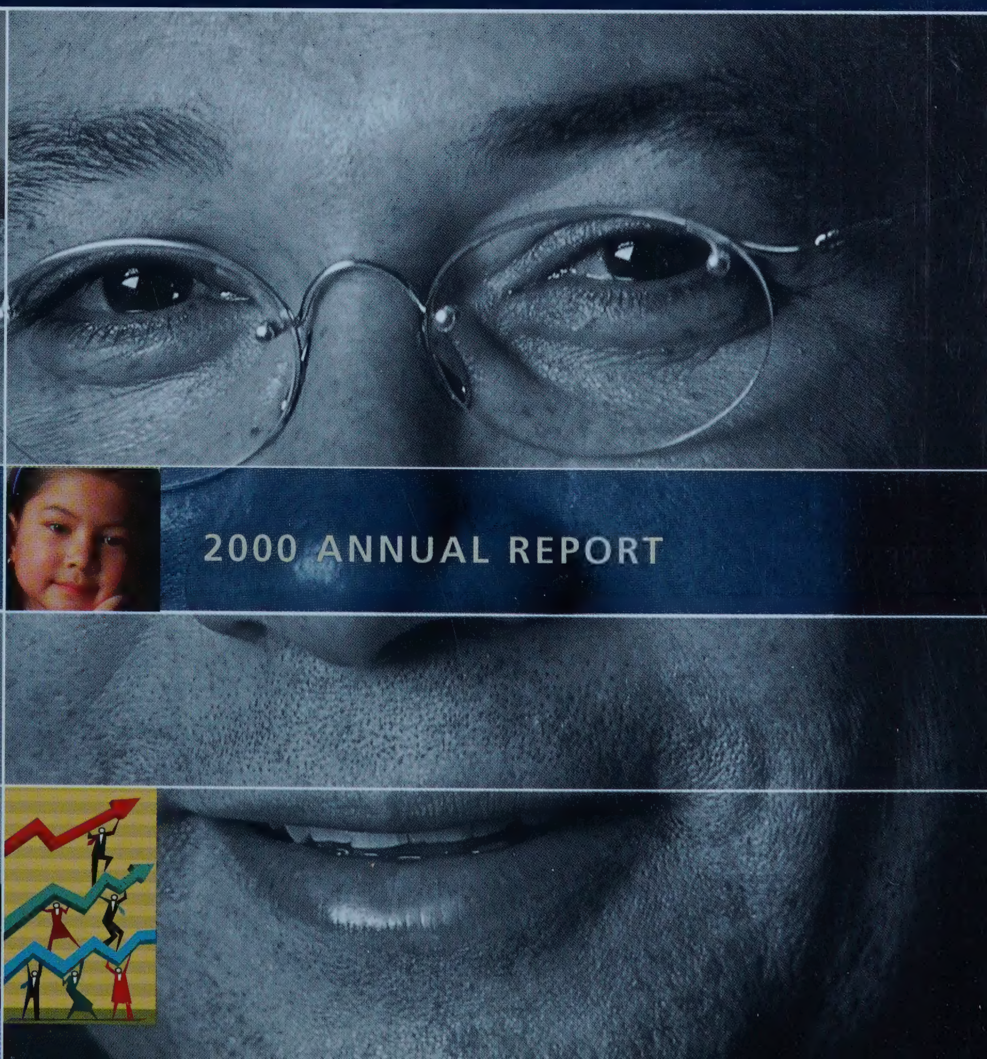
GREAT-WEST LIFECO INC.

We are the companies that touch the lives of millions of people every day.

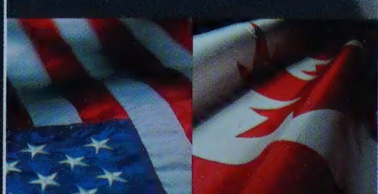






GREAT-WEST LIFECO INC.

2000 ANNUAL REPORT



we are

Corporate Profile

Great-West Lifeco Inc. is a financial services holding company with interests in the life and health insurance, investment and retirement savings, reinsurance and specialty general insurance businesses, primarily in Canada and the United States.

Lifeco and its companies have more than $92 billion in assets under administration. Its major subsidiaries are The Great-West Life Assurance Company (Great-West) in Canada and Great-West Life & Annuity Insurance Company (GWL&A) in the United States. Lifeco is a member of the Power Financial Corporation group of companies.

The Great-West Life Assurance Company

Great-West and its subsidiary, London Life Insurance Company, serve more than nine million Canadians with a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations. Products are marketed through a network of Great-West and Freedom 55 Financial™ security advisors, through brokers and marketing partnerships with other financial institutions.

Great-West is a supplier of reinsurance in the United States and Europe through London Reinsurance Group Inc. (LRG).

Great-West Life & Annuity Insurance Company

In the United States, GWL&A is a leader in providing employee benefits for corporations and in meeting the retirement income needs of employees in the public/non-profit sector. GWL&A serves more than five million Americans through a full range of managed health care, life and disability insurance, and defined contribution plans marketed through brokers and group representatives, and through marketing partnerships with other financial institutions.

Forward-Looking Statements

This annual report may contain forward-looking statements. Please see the note on page 15 for more information on these statements.

Table of Contents

Lifeco

We are financial solutions working for people and organizations.

we are MAKING A DIFFERENCE IN THE LIVES OF MILLIONS OF PEOPLE EVERY DAY

Directors' Report to Shareholders

The success of the companies of Great-West Lifeco stems from our long history of making a difference – to individuals, families, business owners and organizations in North America and beyond.

In Canada, we serve the needs of over nine million people who look to us for financial security solutions for a broad range of personal and business needs.

In the United States, we are ensuring that over five million Americans have access to quality health care, employee benefits, retirement income and business solutions.

Our record sets us apart from most companies, regardless of business sector, and we continue to strengthen and diversify our businesses in a number of ways: through acquisitions that reinforce our position as a leading provider of financial security solutions; by aligning our strengths with those of other leaders in the financial services industry; and finally, by stimulating and strengthening the channels through which our products and services reach our clients.

We are proud to be leaders in our key businesses and most importantly, in the communities we serve across North America.

Continuing strong growth

In 2000, Great-West Lifeco continued its trend of double digit growth. Earnings for common shareholders increased 20%, to $1.72 per share in 2000. Return on equity reached 18.6%, which we believe places us among the leaders in the Canadian financial services industry.

Earnings growth was driven by strong performance by both our operating subsidiaries,

From left: William T. McCallum, Co-President and Chief Executive Officer; James W. Burns, Chairman of the Board; and Raymond L. McFeetors, Co-President and Chief Executive Officer

Great-West in Canada and GWL&A in the United States.

Total premiums and deposits increased 35% during the year. Strong performance in the Canadian group insurance business and the acquisition of the blocks of business of General American Insurance Company and Allmerica Health and Life Insurance Company in the United States contributed to a 61% increase in self-funded premium equivalents (from ASO contracts). Segregated funds continue to be a popular choice with consumers seeking to accumulate retirement funds, with deposits to individual accounts increasing 41%. Premiums from guaranteed products were up 10%, also contributing to the healthy growth in premium income.

Fee income also grew sharply, up 34%, reflecting the strength of the wealth accumulation and ASO businesses in Canada and the United States. Total assets under administration were $92.9 billion, an increase of 7% during the year. Once again, asset growth was fueled by robust sales of segregated funds products.

Great-West Lifeco has a long, successful track record as a shareholder-owned organization. In 2000, for the eighth year in a row, we increased dividends for common shareholders. Common share dividends paid out rose by 23% to $0.65 a share for the year, with a five-year compound growth of 22%.

Corporate reorganization

On December 31, 2000 Great-West Life conveyed ownership of GWL&A to a newly formed subsidiary of Great-West Lifeco. The reorganization completed a process started many years ago, of establishing separate and distinct operations in Canada and the United States to better focus on the respective markets.

The reorganization had no impact on the financial strength of Lifeco's subsidiaries, and all major rating agencies reaffirmed their ratings following the reorganization. Great-West and GWL&A's regulatory capital positions remain strong.

Board of Directors

It is with sadness that we mark the passing of Director Robert Graham. Mr. Graham served for 23 years on the Boards of Lifeco and its subsidiaries. His knowledge, experience and insight enabled him to consistently offer sound and wise judgement on the increasingly complex affairs of these companies. His guidance will be missed by those who were privileged to be associated with him both in business and in his community work.

we are FINANCIAL SOLUTIONS FOR FAMILIES AND BUSINESSES – WHEN AND WHERE THEY NEED THEM

The Great-West Life Assurance Company

(Canadian Operations)

In 2000, Great-West continued to put its leading market positions in Canada to work for shareholders and clients.

Growth in net income attributable to common shareholders continued its pattern of strong growth, up 20% in 2000. Premium income and deposits, fee income and total assets all showed solid growth, fed by strong performance in the group insurance and wealth accumulation businesses.

Group insurance net income increased dramatically in 2000, benefiting from improvements in claims experience and continued expense savings from the integration of London Life's group insurance business. Sales increased 20% overall, and 29% in the target small and mid-size client market, reflecting the Company's strong distribution networks and market leading products.

Segregated and mutual fund sales outpaced the industry average in 2000, reflecting the competitive strength of Great-West and London Life's products and financial security advice channels. While many companies retrenched in the face of new capital requirements for segregated funds, Great-West's consistently prudent approach saw the Company well-positioned to grow in this market.

Great-West and London Life continue to experience benefits from integrating our product development, administration and service operations. Total expenses declined, for the third consecutive year, by 3% or $18 million over 1999. Total expenses were down 14% or $105 million from comparable 1998 levels.

Last year was a disappointing one for LRG's reinsurance business, where difficult market conditions affected performance in the accident-health and syndicated property-casualty markets.

However, these market conditions also allowed the Company to expand its client base and solidify relationships with existing business partners in the industry.

We are Freedom 55™ to millions of Canadians

Partners in strength

One of Great-West's core strengths is its distribution strategy. The Company has harnessed the two dominant distribution strategies in the industry – multi-channel and exclusive channel – and capitalized on the best features of each.

In 2000, Great-West continued to form alliances with financial institutions to expand the multiple channels distributing its group insurance, individual disability insurance and segregated funds, and to provide more complete financial services and advice for clients.

These initiatives include:

- An alliance, in conjunction with Investors Group, with Canadian Imperial Bank of Commerce, a leader in e-banking in Canada. Ultimately, Great-West and London Life will introduce a broad suite of banking products and services, available through their respective financial security advisor networks nationwide.
- Alliances with two leading insurers that expanded the range of life insurance and investment products offered, and the distribution reach for Great-West's market-leading disability and small group insurance products.
- An agreement that saw Great-West become the preferred successor carrier for the small group clients of an insurer exiting this market. This should enhance sales and expand Great-West's distribution system in this market in 2001.

- The launch of our expanded mutual fund dealer, *Quadrus Investment Services Ltd.*™, which serves the needs of both Great-West and London Life distribution channels. Quadrus will enable financial security advisors to direct their business through an "in-house" service, with 40 exclusive mutual funds.

Also in 2000, LRG expanded its annuity reinsurance capabilities. In addition to being a leading reinsurer of deferred annuity products, LRG is now a leader in the reinsurance of guaranteed maturity benefit protections within the various types of annuities currently being sold.

Freedom 55 strengthened

London Life's exclusive distribution channel coupled with its widely-recognized Freedom 55 brand has helped it develop a large client base of nearly two million people.

To build on this strength, and broaden consumers' understanding of the range of services the Company offers its clients, London Life rebranded its distribution organization. *Freedom 55 Financial* is a full-service financial security advisor organization, able to provide clients with financial security advice over their lifetime, with a full range of products and marketing support. The support of Freedom 55 Financial security advisors for this change is already being reflected in the Company's performance.

While the Company believes the one-on-one relationship with a client will remain the primary method of delivering financial services, the Internet will assume increasing importance as a means of delivering service.

In 2000, Great-West and London Life premiered a new online transactional service, *grsaccess.com*, providing retirement plan sponsors, members and advisors with a wide range of real-time tools to manage their plans. For benefit plan sponsors, the Company introduced online enrolment and laid the groundwork to roll out its popular online administration system, *GroupNet*™, to small group clients over the coming year. The Company also began work on a major Web-based initiative to offer benefit plan sponsors and plan members a range of real-time transactions, to help them manage their benefit plans.

These initiatives are in addition to existing Web-based service sites providing financial security advisors with technology and client information, marketing and reference materials, software and industry news.

Focusing on growth

By focusing our strengths, Great-West has developed a leading market share in each of our core domestic businesses – group insurance, individual life insurance, retirement savings and income, and individual disability insurance.

In the year ahead, we will continue to focus our efforts in the areas of growth and change in ways that emphasize continued value to shareholders and clients. We expect to see results from recent distribution alliances and partnerships, and will build on the strengths of these endeavors. Most importantly, we will continue to reinforce the differences that set Great-West apart from all others – the diversity of our businesses, the power of our brands and the exceptional strength of our distribution channels.

We are employee benefits to more than 7 million Canadians

we are HEALTHCARE AND RETIREMENT SOLUTIONS FOR 5 MILLION AMERICANS

We are the answer to complex financial management needs.

Great-West Life & Annuity Insurance Company

(United States Operations)

The year 2000 was a remarkable one for the Company's businesses in the United States.

Net income attributable to common shareholders continued to show strong growth, up 20% over 1999. Premium income and deposits and fee income showed outstanding growth, fueled by internal growth and business acquisitions completed during the year.

In particular, sales were very strong in GWL&A's public/non-profit defined contribution pension plan services line of business. Results of these sales are expected to emerge in 2001 as participant enrolments are completed and cash begins to flow. In Employee Benefits, the Company's self-funding approach to financing health care and our broad array of products was well received in the marketplace, with new case sales running well ahead of 1999.

In terms of growth, GWL&A's health care business has experienced a dramatic increase since 1999, when the Company acquired the group health business of General American Life Insurance Company and Allmerica Financial Corporation. With these two acquisitions, the Company's total group health business now ranks among the largest health care companies in the United States. The Company expects that these additional blocks of business will fuel earnings growth in 2001.

Partners in service

The Employee Benefits Division has a heritage of continuous, profitable, customer-focused growth. The Division's strength lies in the type of retirement and health products it offers employers, and in the service it delivers to plan members.

GWL&A long ago moved away from providing traditional health insurance products to offering managed care plans with various funding alternatives. This approach offers greater efficiencies in delivering health care products and services, and in managing their costs.

Among our service initiatives in 2000 was the restructuring of One Health, GWL&A's managed care company, into integrated *Regional One Centers.* These centers provide One Health Plan clients with integrated medical management and contracting, claim processing and client service from one regional location. This innovative approach is designed to ensure that each client receives the level of care appropriate for his or her condition. Three of the six Centers were completed in 2000, with the remainder scheduled for the coming year.

This past year, One Health Plan became one of the first groups of health plans in the United States to launch a national, full scale, chronic health management program that includes all members. The *CareResults* program helps health plan members who have asthma, diabetes, or cardiac conditions play an active and informed role in minimizing their conditions. Managing these conditions helps control demand for more expensive services, for example, by reducing the need for hospitalization. This in turn helps us

manage costs and provide quality health care services at competitive rates.

The Company takes a similar, service-centered approach to its retirement business. GWL&A formed an alliance with Financial Engines of Palo Alto, California to make online investment information available to participants in various types of defined contribution retirement plans. In the past, this type of sophisticated information – which includes financial projections, investment allocation options and personalized advice – has been available only to the largest pension funds and investment firms.

Market leader

Our Financial Services Division has carved out a niche in providing retirement savings and income plans for various public and non-profit organizations, and in distributing life insurance through partnerships with banks and brokerages.

In 2000, Financial Services continued to enhance its position by adding new plans, expanding relationships with existing plan clients and broadening the services offered to clients, particularly via the Web.

The Company's public/non-profit defined contribution pension plan services – rebranded BenefitsCorp in 2000 – have experienced remarkable growth on all fronts over the past 10 years. In 2000, this business achieved a milestone of more than one million participants, and remains a leader in the government and health care market segments. It achieved this partly through new sales and partly through adding services for existing clients, which increased their participation rates.

GWL&A's pension administration services company – FASCorp – approached the two million client mark in 2000, placing it among the leaders in this market.

The Company continued to develop its business of selling life insurance through bank partners. This initiative had solid growth in 2000, and prospects are favourable for developing a successful business model in this area. In addition, GWL&A continues to be a market leader in the sale of insurance to corporations.

In the coming year, the Company expects to realize the benefits from the acquisitions made and the growth realized in the past year. This will require diligence in managing margins and realizing the expected synergies. GWL&A also expects to be fully involved in helping shape the future of America's health care financing system, which will be a major political topic in 2001.

we are THE DIFFERENCE

Great-West Lifeco has a long history of sustainable, profitable growth that has resulted in exceptional value for clients and shareholders.

While the diversity of our operations is a strong factor in our performance, we believe that the real difference between our companies and others is derived from our people. Ultimately, our businesses market the expertise of the financial security advisors, representatives and employees who make up our organizations.

On behalf of the Board of Directors, we thank these people for their creativity, energy and integrity. We also extend our sincere appreciation to our clients and shareholders for their continued support.

It is because of you that we can continue to make a difference in the lives of so many people across North America and beyond, every day.

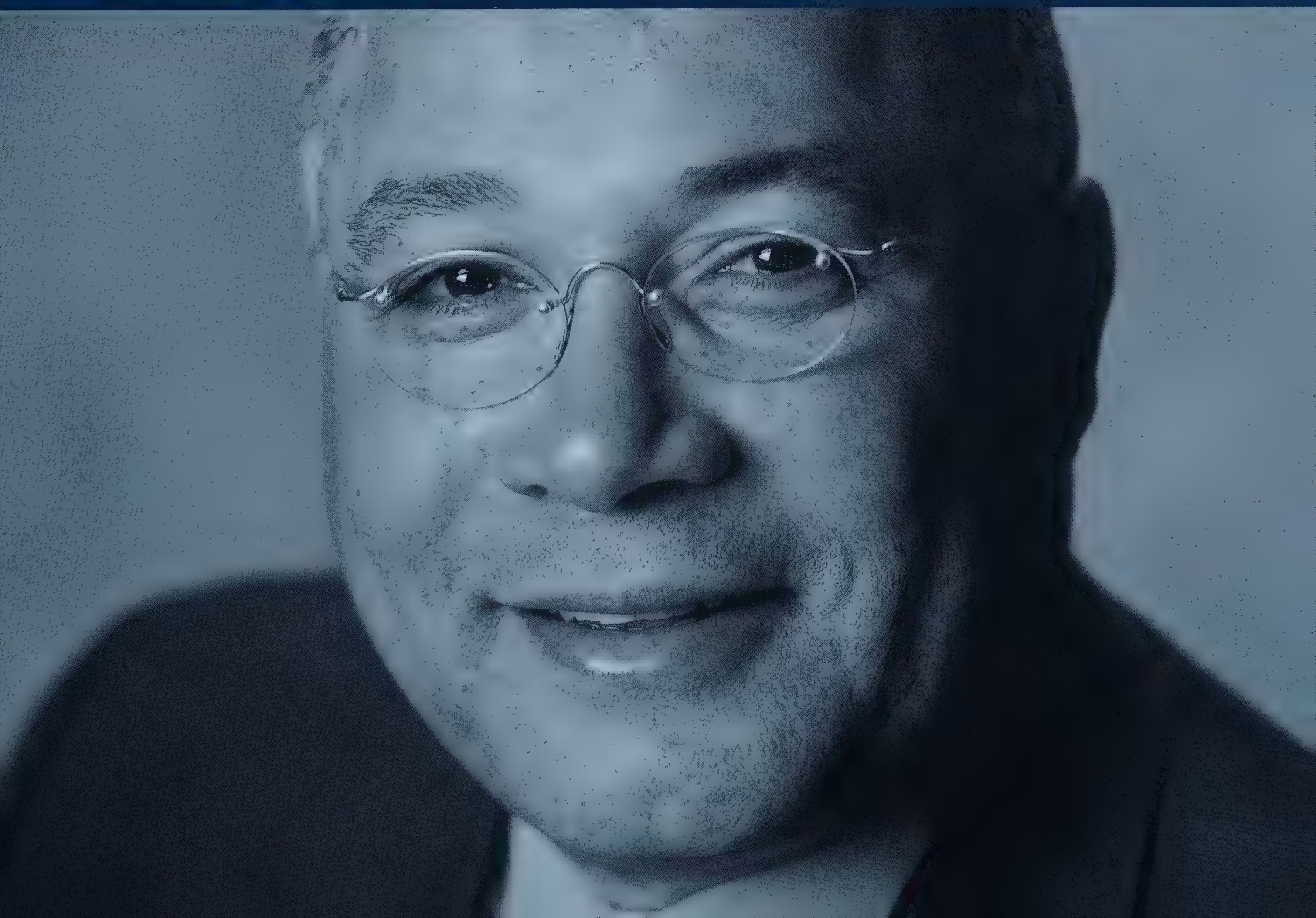
James W. Burns
Chairman of the Board

William T. McCallum
Co-President and Chief Executive Officer

Raymond L. McFeetors
Co-President and Chief Executive Officer

Lifeco

We are diversified financial services businesses.



we are MORE CHOICES, MORE EXPERTISE FOR CLIENTS

STATISTICS

- **Serves more than 9 million Canadians**
  - 7 million Canadians covered under employee benefit plans
  - nearly 2 million individual insurance clients
  - 580,000 segregated fund clients
  - 350,000 group retirement plan members

MARKET SHARE

- **employee benefits – 19%**
- **individual life insurance in-force premium – 19%**
- **group segregated funds – 25%**
- **individual segregated funds – 22%**

THE GREAT-WEST LIFE ASSURANCE COMPANY

(Canadian Operations)

GROUP INSURANCE

Employee benefits for 24,000 plan sponsors with 3 or more employees. Significant positions in all markets – by region, case size and product.

PRODUCTS AND SERVICES

- Life and accidental death and dismemberment insurance
- Short and long-term disability insurance
- Drug/dental/vision coverage not provided by Medicare
- Employee assistance plans
- Flexible benefit plans
- Benefit plans for individuals and their families

DISTRIBUTION

- 775 Great-West and 2,700 Freedom 55 Financial security advisors
- 3,000 Investors Group consultants
- Independent brokers and benefit consultants

INDIVIDUAL INSURANCE AND INVESTMENT PRODUCTS

Financial security products for individuals, and retirement savings and income products for groups and individuals.

PRODUCTS AND SERVICES

- Participating and non-participating life insurance
- Disability and critical illness insurance
- Registered and non-registered savings and income products, including 240 segregated funds
- 40 exclusive mutual funds through Quadrus Investment Services

DISTRIBUTION

- 775 Great-West financial security advisors distribute Great-West and third-party products
- 2,700 Freedom 55 Financial security advisors distribute proprietary London Life products, Great-West and third-party products
- 3,000 Investors Group consultants distribute Great-West products
- 8,500 independent brokers and 2,600 representatives of intercorporate partners distribute Great-West products

INVESTMENT MANAGEMENT AND ADVISORY SERVICES

- Fund management, investment and advisory services for more than 200 institutional clients through GWL Investment Management Ltd. and London Life Investment Management Ltd.
- Real estate investment and advisory services through GWL Realty Advisors Inc., Canada's largest real estate investment advisor.

REINSURANCE AND SPECIALTY GENERAL INSURANCE

- Life, property and casualty, accident and health, and annuity reinsurance through London Reinsurance Group, one of the world's largest niche reinsurance companies. Distributed through LRG staff and independent brokers in the United States and Europe.
- Specialty general insurance in specific niche business markets, through London Guarantee. Distributed through independent brokers in Canada.

2000 HIGHLIGHTS

DISTRIBUTION

Banking alliance. Great-West, London Life and Investors Group announced an agreement with Canadian Imperial Bank of Commerce, under which the three companies will distribute banking and brokerage products and services through their respective consultant and financial security advisor networks nationwide.

Freedom 55 Financial. London Life reorganized and rebranded its financial security planning organization as *Freedom 55 Financial*, capitalizing on the success of one of the most widely-recognized brands in Canada's financial services industry.

Insurance alliances. Great-West and Freedom 55 Financial established a new distribution alliance with one of Canada's leading financial services providers, and expanded an existing alliance. These alliances give the companies access to more industry-leading financial security products and a larger distribution network for Great-West products.

Group insurance. Great-West entered into an agreement to become the preferred successor carrier for the small group clients of an insurer exiting this market. By the end of 2001, this agreement could add up to 1,100 small group clients and $25 million in annual premium, to Great-West's current block of small group business of 19,000 clients and $325 million in premium.

Quadrus Investment Services. Great-West and London Life launched Quadrus Investment Services, a mutual fund dealer, giving Great-West and Freedom 55 Financial investment representatives* access to more than 1,400 mutual funds. With more than 2,000 licensed investment representatives, Quadrus is one of the largest mutual fund dealers in Canada in terms of number of representatives.

ACQUISITIONS

HRMP. Great-West's reinsurance operations through LRG (U.S.) acquired a 51% controlling interest in Health Reinsurance Management Partnership (HRMP) based in Danvers, Massachusetts. HRMP had total revenues in 1999 of $9 million US.

Real estate. GWL Realty Advisors Inc., Great-West's real estate management subsidiary, completed its largest real estate acquisition to date on behalf of a client – over $800 million for seven properties. GWL Realty Advisors manages $4.2 billion in assets, making it the largest real estate investment advisor in Canada.

NEW PRODUCTS & SERVICES

Online service. Great-West and London Life's Group Retirement Services premiered its new online service for plan sponsors, members and advisors. The new Web site, *grsaccess.com*, is an easy-to-navigate, real-time transactional site providing plan members with a wide selection of tools to manage their retirement.

Web support. Great-West launched its extranet for financial security advisors. *Your Key Connection* joins Freedom 55 Financial's *Repsite* as a one-stop centre for technology and client information, marketing and reference materials, software and industry news.

Segregated funds. In January 2001, Great-West introduced 12 new segregated funds with competitive management fees. In conjunction with Quadrus, Great-West also introduced individually managed portfolios, or wraps, for investors with more than $250,000 to invest.

** For the sale of mutual funds, licensed financial security advisors are referred to as "investment representatives".*

we are PARTNERS IN DELIVERING INNOVATIVE PRODUCTS AND PROGRAMS

Great-West Life & Annuity Insurance Company

(United States Operations)

Employee Benefits

Life, health, disability insurance and 401(k) products for more than 14,000 corporate employers.

Products and Services

- Life, health, dental and disability insurance
- Managed health care programs
- 401(k) savings products and rollover IRA products
- Flexible benefits accounts

Distribution

- 900 sales and service staff

Financial Services

Retirement savings and life insurance products and services for individuals and employees of state and local governments, hospitals and non-profit organizations, and public school districts.

Products and Services

- Employer-sponsored, defined contribution programs and services:
  - Recordkeeping and administration
  - Enrollment and education
  - Proprietary and non-proprietary investment options
  - Communications
- Private label annuity products
- Corporate-owned life insurance
- Recordkeeping and administration services for financial institutions

Distribution

- Marketing agreements with financial institutions to distribute individual life insurance
- Independent marketing agencies distribute pension products
- BenefitsCorp distributes pension products and services
- FASCorp distributes recordkeeping and administration services
- Clarke/Bardes Inc. distributes bank-owned life insurance products
- Charles Schwab & Co. Inc. distributes individual life insurance and annuities

STATISTICS

- **Serves 5 million Americans**
  - more than 3.1 million medical members
  - 550,000 401(k) members
  - 1 million public/non-profit defined contribution pension plan participants
  - nearly 350,000 FASCorp third-party participants
- **one of the largest health care companies in America**
- **a leader in state government deferred compensation plans**

2000 Highlights

Acquisitions & Alliances

General American acquisition. GWL&A completed the acquisition of General American Life Insurance Company's group life and health insurance business, including the consolidation of the data centers and the marketing of ONE networks to General American new business and in force customers. The acquisition added 992,000 health plan members and $3 billion of equivalent premium income.

Online investment advice. GWL&A formed an alliance with Financial Engines of Palo Alto, California to make online investment information and personalized advice available to defined contribution pension plan participants. This makes available to individual participants the type of sophisticated information that has been available only to the largest pension funds and investment firms.

New Products and Services

Integrated medical management services. GWL&A introduced three Regional One Centers providing, from one regional location, an integrated approach to medical management and contracting, claim processing, and customer service for the Company's health plan clients in the northwest, northeast and southeast regions. Three more Regional One Centers are planned for 2001.

Expanded online services. GWL&A expanded online services for its 401(k), 457, and life and health customers by introducing online participant enrolment via the Company's Web site.

Chronic health care management program. One Health Plan, GWL&A's HMO subsidiary, became one of the first groups of health plans in the United States to launch a national, full-scale, chronic health care management program that includes all members. *CareResults* is offered in collaboration with ProMedex Inc., the largest provider of disease-specific intervention programs in the United States. More than 54,000 health plan members have enrolled in *CareResults* since its introduction.

NCQA accreditation. One Health Plan subsidiaries in Florida and Tennessee received two-year new plan accreditation from the National Committee for Quality Assurance.

MediCASH. GWL&A enhanced MediCASH, a product for members of the American Dental Association (ADA). MediCASH provides cash benefits for each day of hospitalization plus a lump sum payment if an insured member or dependant is diagnosed with one of 17 critical conditions.

Sales

Defined contribution plans. BenefitsCorp was selected to provide full scope defined contribution plan services for a number of state deferred compensation and retirement plans, including Colorado, Oklahoma and the Commonwealth of Virginia, as well as the cities of St. Louis and Houston. Together, these plans represent over 70,000 participants. BenefitsCorp now provides such services to 13 states.

Plan administration. The State of Montana renewed its relationship with the Company, which acts as administrator for the State's Section 457 employee retirement plan, with over 7,500 participants. The State also selected Great-West as record keeper for a new defined contribution plan, expected to include up to 10,000 participants when it takes effect in 2002.

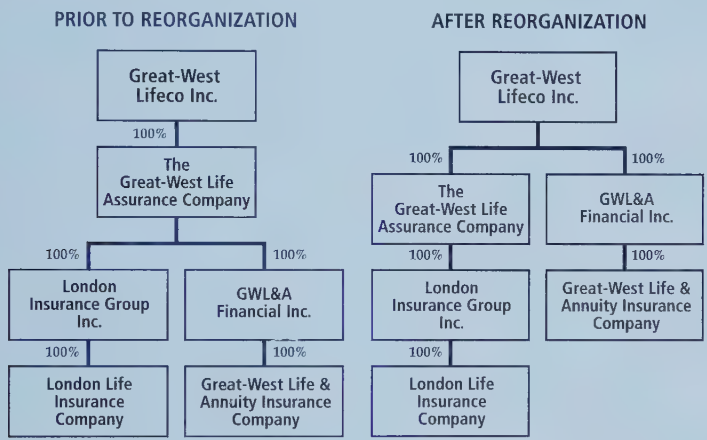
Lifeco

We are risk management solutions for insurers and reinsurers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) presents management's view of the financial position and performance of Great-West Lifeco Inc. (Lifeco) in 2000 compared with 1999. The MD&A provides an overall discussion, followed by analyses of the performance of its two major subsidiaries, The Great-West Life Assurance Company (Great-West) in Canada, and Great-West Life & Annuity Insurance Company (GWL&A) in the United States.

On December 31, 2000 Great-West conveyed ownership of its U.S. subsidiary, GWL&A, to a newly-formed subsidiary of Lifeco. This simplified structure, resulting from the corporate reorganization, shown below, does not affect the consolidated financial position of Lifeco. Details of the corporate reorganization transaction are described in note 2 to the financial statements.



Lifeco currently has no other holdings and carries on no business or activities unrelated to its holdings in Great-West, GWL&A and their subsidiaries. Lifeco is not restricted to investing in the shares of Great-West, GWL&A and their subsidiaries and may make other investments in the future.

TRANSLATION OF UNITED STATES DOLLARS

Throughout this report, United States dollar assets and liabilities are translated into Canadian dollars at the market rate at December 31 for the respective years. All income and expense items are translated at an average rate for the year. The rates employed by year are:

Years ended December 31	Balance Sheet	Operations
2000	$ 1.5000	$ 1.4853
1999	1.4433	1.4856
1998	1.5300	1.4835

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about future operations, financial results, objectives and strategies of the Company. Forward-looking statements are typically identlfied by the words "believe", "expect", "anticipate", "intend", "estimate" and other similar expressions.

These statements are necessarily based on estimates and assumptions that are subject to risks and uncertainties, many of which are beyond the Company's control. Actual results may differ materially due to a variety of factors, including legislative or regulatory developments, competition, technological change, global capital market activity, interest rates and general economic conditions in Canada, North America or internationally.

These and other such factors should be taken into consideration when reading the Company's forward-looking statements.

TABLE OF CONTENTS

Lifeco

2000 CONSOLIDATED OPERATING RESULTS

Great-West Lifeco Inc.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

(in $ millions, except per common share amounts)

	2000			1999			
	Canada	U.S.	Total	Canada	U.S.	Total	% Change
FOR THE YEAR							
Premiums:							
Life insurance, guaranteed annuities and insured health products	**$ 3,748**	**$ 3,350**	**$ 7,098**	$ 3,690	$ 2,761	$ 6,451	10 %
Reinsurance and property and casualty	**2,878**	**–**	**2,878**	2,075	–	2,075	39 %
Self-funded premium equivalents (ASO contracts) (1)	**1,102**	**7,695**	**8,797**	1,039	4,425	5,464	61 %
Segregated funds deposits: (1)							
Individual products	**1,817**	**959**	**2,776**	1,344	618	1,962	41 %
Group products	**1,673**	**3,652**	**5,325**	769	3,219	3,988	34 %
Total premiums and deposits	**$ 11,218**	**$ 15,656**	**$ 26,874**	$ 8,917	$ 11,023	$ 19,940	35 %
Fee and other income	**346**	**1,295**	**1,641**	278	944	1,222	34 %
Paid or credited to policyholders	**7,423**	**3,951**	**11,374**	6,547	3,389	9,936	14 %
Net income attributable to:							
Preferred shareholders	**31**	**–**	**31**	33	–	33	-6 %
Common shareholders	**257**	**386**	**643**	215	321	536	20 %
Return on common shareholders' equity			**18.6 %**			17.1 %	
PER COMMON SHARE							
Net earnings			**$ 1.72**			$ 1.43	20 %
Dividends paid			**0.65**			0.53	23 %
Book value			**9.81**			8.70	13 %
AT DECEMBER 31							
Total assets	**$ 33,127**	**$ 22,627**	**$ 55,754**	$ 32,328	$ 21,184	$ 53,512	4 %
Segregated funds assets (1)	**18,682**	**18,477**	**37,159**	15,730	17,998	33,728	10 %
Total assets under administration	**$ 51,809**	**$ 41,104**	**$ 92,913**	$ 48,058	$ 39,182	$ 87,240	7 %
Capital stock and surplus			**$ 4,182**			$ 3,789	10 %

(1) Segregated funds deposits and self-funded premium equivalents (ASO contracts)

The financial statements of a life insurance company do not include the assets, liabilities, deposits and withdrawals of segregated funds or the claims payments related to administrative services only (ASO) Group health contracts. However, the Company does earn fee and other income related to these contracts.

Segregated fund business is an option offered under an insurance annuity contract, where the benefit amount is directly linked to the market value of the investments held in the particular segregated account. The contractual arrangements are such that the segregated fund contract holder bears the risks and rewards of the account's investment performance apart from death and maturity benefit guarantees. ASO Group health contractual agreements are those where the Company provides administrative and claim paying services for clients, and under these arrangements, the client bears some or all of the claim risk. The self-funded premium equivalents generally represent claims paid under these contracts which approximate the additional premiums that would have been earned if these contracts had been written as traditional risk programs.

Both segregated fund and ASO contracts are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

Quarterly Financial Information

(in $ millions, except per common share amounts)

		Total Revenue	Net Income – Common Shareholders	
			Total	Per Share
2000	**Fourth quarter**	**$ 4,242**	**$ 174**	**$ 0.47**
	Third quarter	**3,705**	**164**	**0.44**
	Second quarter	**3,728**	**164**	**0.43**
	First quarter	**3,591**	**141**	**0.38**
1999	Fourth quarter	$ 3,704	$ 143	$ 0.38
	Third quarter	3,148	137	0.36
	Second quarter	3,217	137	0.37
	First quarter	3,259	119	0.32

NET INCOME

Lifeco's net income for 2000 was $674 million, which compares to $569 million for 1999. Net income attributable to common shareholders increased 20% to $643 million or $1.72 per share, compared to $536 million or $1.43 per share for 1999. Net income attributable to common shareholders before amortization of goodwill was $708 million. The return on common shareholders' equity was 18.6% for the year ended December 31, 2000.

Net Income Common Shareholders – Geographic

(in $ millions)

	2000	1999	% Change
Canadian operations	$ **257**	$ 215	20 %
United States operations	**386**	321	20 %
	$ **643**	$ 536	20 %

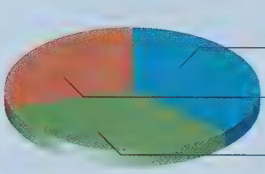
For Canadian operations, the increase in net income in 2000 reflected growth in fee income, strong investment performance and favourable morbidity experience, mitigated by a deterioration in reinsurance margins.

Shareholders' net income in 2000 also reflected a reduction for provisions for Canadian income taxes stemming from federal government announcements in 2000, offset by a provision related to reducing the Company's exposure in Taiwan.

The positive earnings result from United States operations was due to a combination of increased fee income, strong investment performance and favourable morbidity experience, offset somewhat by unfavourable group mortality experience.

Premiums and Deposits

Overall, premiums and deposits increased 35% over 1999. Within this result, growth of 48% in fee-based products reflects the emphasis on, and success of, the Company's expansion in the segregated fund markets in both Canada and the United States, as well as in the Group administrative services only (ASO) market, particularly in the United States.



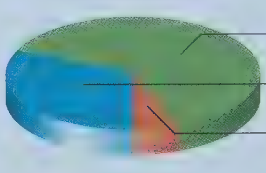
At December 31, 2000, 63% of premium revenue is from fee-based products (57% in 1999) rather than the traditional risk-based contracts.

In Canada, 31% of premium revenue is from segregated funds products, and fee-based products account for 41% of premium revenue in total.

In the United States, fee-based products account for 79% of premium revenue, of which ASO business represents 49%.

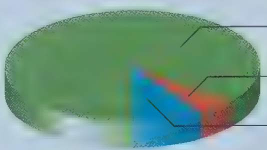
Fee and Other Income

Overall, fee income was up 34% over 1999 (24% in Canada and 37% in the United States) due mainly to the increase in segregated funds assets in Canada and the increase in ASO business in the United States.



Paid or Credited to Policyholders – Total

The amount paid or credited to policyholders increased 14% from 1999 levels, however that amount only includes guaranteed contracts and does not include benefit payments related to ASO or segregated funds products.



TOTAL ASSETS UNDER ADMINISTRATION

Total assets under administration increased 7% in 2000 to $92.9 billion, an increase in 2000 of $5.7 billion.

General funds assets increased 4% overall, while segregated funds assets increased 10%. In Canada, general funds assets increased 2% and segregated funds assets increased 19%, reflecting the shift from guaranteed retirement products to segregated funds or non-guaranteed products.

In the United States, general funds assets increased 3% from 1999 levels in U.S. currency, and on a translated Canadian dollar base, increased 7%. Segregated funds were down 1% in U.S. currency but reflected a 3% increase after translation to Canadian dollars, compared to the previous year.

Asset Quality

At December 31, 2000, exposure to mortgage loans and real estate was 21% of invested assets, unchanged from the end of 1999.

The Company's exposure to non-investment grade bonds was 1.2% of the portfolio at the end of 2000, up from 0.6% at December 31, 1999.

Non-performing investments, including bonds in default, mortgages in the process of foreclosure or in arrears 90 days or more, and real estate acquired by foreclosure, totalled $72 million or 0.2% of invested assets at December 31, 2000, compared with $96 million or 0.2% a year earlier. The Company's allowance for credit losses at December 31, 2000 was $147 million compared with $178 million at year-end 1999.

Additional provisions for future credit losses on assets backing actuarial liabilities are included in actuarial liabilities and amounted to $378 million at December 31, 2000 ($328 million at December 31, 1999).

The combination of the allowance for credit losses of $147 million, together with the $378 million provision for future credit losses in actuarial liabilities represents 1.3% of bond, mortgage and real estate assets at December 31, 2000 (1.3% at December 31, 1999).

POLICY LIABILITIES

Reference is made to note 5 of the Lifeco financial statements, Actuarial Liabilities, which presents the composition, nature, changes, assumptions and risk management issues associated with this significant balance sheet item.

Actuarial liabilities represent the amounts which, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends, and expenses on policies in force. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries.

Asset and liability cash flows are carefully matched to minimize the financial effects of a shift in interest rates. This practice has been in effect for several years and has shielded the Company's financial position from past significant interest rate volatility.

COMMERCIAL PAPER AND OTHER LOANS

During the year, the Company issued $200 million of 6.75% debentures due August 10, 2015. The proceeds were invested in its Canadian operating subsidiaries, which in turn redeemed $100 million of 9.375% senior debentures due January 8, 2002.

As described in note 6 to the financial statements, the Company now has $200 million of capital securities issued in Canada and $263 million in the United States through its subsidiary, GWL&A.

CAPITAL STOCK AND SURPLUS

During 2000, the Company paid dividends of $0.65 per common share for a total of $243 million and preferred share dividends of $31 million. This represents an increase in common share dividends paid of 23% compared to 1999. A reduction in preferred share dividends of $2 mil-

ASSET DISTRIBUTION
December 31 (in $ millions)

	2000		1999	
Government bonds	**$ 9,349**	**20 %**	$ 10,494	22 %
Corporate bonds	**20,977**	**44**	19,903	42
Mortgages	**8,787**	**18**	8,942	19
Stocks	**1,133**	**2**	809	2
Real estate	**1,212**	**2**	1,106	2
Sub-total portfolio investments	**41,458**		41,254	
Cash & certificates of deposit	**740**	**2**	746	2
Policy loans	**5,583**	**12**	5,162	11
Total invested assets	**$ 47,781**	**100 %**	$ 47,162	100 %

lion for the same period was mainly due to the Company having replaced a $200 million preferred share issue at 7.50% with a new issue at 4.70% in early 1999.

During 2000, through a new wholly-owned subsidiary, the Company purchased 8,965,498 Series L 5.20% Non-Cumulative Preferred Shares of Great-West in a private transaction at a purchase price of $23.00 per share for an aggregate purchase price of $206 million. Great-West Lifeco and Great-West made a joint offer dated December 14, 2000 to purchase the remaining 9,030,014 Great-West Series L Preferred Shares not held directly or indirectly by Lifeco for either $23.00 cash or one Great-West Series O 5.55% Preferred Share for each Series L Share. The joint offer closed on January 5, 2001, with Lifeco acquiring a further 658,311 Series L Shares for an aggregate purchase price of $15 million, which increased its holding to 9,623,809 Series L Shares.

In November 2000, the Company announced a further normal course issuer bid commencing December 1, 2000 and terminating November 30, 2001. During the course of this bid, up to but not more than 4,800,000 shares may be purchased for cancellation by the Company.

In 2000, through the normal course issuer bid process, 2,555,600 common shares were purchased for cancellation at a cost of $70 million or $27.34 per share.

These activities, coupled with the strong earnings from Canada and U.S. operations, resulted in capital and surplus increasing 10% to $4.2 billion.

FINANCIAL STRENGTH

The Office of the Superintendent of Financial Institutions Canada (OSFI) has specified a capital measurement basis for life insurance companies operating in Canada, known as the Minimum Continuing Capital and Surplus Requirements (MCCSR). Great-West's ratio at the end of 2000 was 196% (210% at the end of 1999), which reflects the impact of the corporate reorganization at December 31, 2000. GWL&A is subject to comprehensive state and federal regulation and supervision throughout the United States. The National Association of Insurance Commissioners has adopted risk-based capital rules and other financial ratios for life insurance companies. Based on the Company's statutory financial reports, the Company has risk-based capital well in excess of that required and was within the usual ranges of all ratios.

During the year, the Canadian Bond Rating Service (CBRS) realigned the investment strength ratings for London Life and Great-West, from AAA to AA+, to better align the Company's ratings with those of its industry peers. The AA+ rating is the highest rating given by CBRS to any Canadian life insurance company.

All other financial ratings were reaffirmed by the rating agencies.

RISK MANAGEMENT AND CONTROL PRACTICES

Risks Associated with Policy Liabilities

Insurance companies are in the business of assuming and managing risk. Depending on the product being offered, the risks vary. Products are priced for target levels of return, and as experience unfolds pricing assumptions are validated and profit emerges in each accounting period. Policy liabilities reflect reasonable expectations about future risk events, together with a margin. Although pricing on some products is guaranteed throughout the life of the contract, policy liability valuation requires updated assumptions to reflect emerging experience results. In this way, the balance sheet reflects the current outlook for future policyholder obligations.

The significant risks and related monitoring and control practices of Lifeco's operating companies are:

Mortality and Morbidity Risk – Many products provide benefits in the event of death. Benefits due to disabling conditions and medical or dental costs are also important product features. Research and analysis is continuously ongoing to provide the basis for pricing and valuation assumptions which properly reflect the markets where the Company is active.

RATINGS OF MAJOR SUBSIDIARIES

Rating Agency	Measurement	Ratings			
		Lifeco	Great-West	London Life	GWL&A
A.M. Best Company	Financial Condition and Operating Performance		A++*	A++*	A++*
Canadian Bond Rating Service	Investment Strength		AA+	AA+	
	Debt Rating	AA-			
Dominion Bond Rating Service	Claims Paying Ability		IC-1*	IC-1*	
	Debt Rating	AA (low)			
Fitch, Inc.	Insurer Financial Strength		AAA*	AAA*	AAA*
Moody's Investors Service	Insurance Financial Strength		Aa2	Aa2	Aa2
Standard & Poor's Corporation	Insurer Financial Strength		AA+	AA+	AA+

** Highest rating available*
All CBRS ratings are as of October 31, 2000

Persistency (Policy Termination) Risk – Products are priced and valued to reflect the expected duration of contracts. This risk is important for expense recovery (higher costs are incurred in early contract years) and for long-term level premium products where costs increase by age and pricing assumes that some policyholders will discontinue their coverage. Annual research studies support pricing and valuation assumptions for this persistency risk.

Investment Yield Risk – Products are priced and valued based on the investment returns available on assets which back up the policy liabilities. Effective and continual communication between pricing, valuation and investment management is required to control this risk. Investment policies have been approved by the Boards of Directors of each operating company. These policies provide guidance on the mix of assets allowable for each product segment. Yield rates are derived from the actual mix of assets put in place. Products with longer term cash flows and pricing guarantees carry more risk. Both pricing and valuation react to this risk by requiring higher margins where there is less yield certainty.

Reinsurance Risk – Products with mortality and morbidity risks have specific limits of Company retention approved by the Boards of Directors on the recommendation of the Actuary. These limits are reviewed and updated from time to time. The Company also takes advantage of financial risk transfer through reinsurance to enhance earnings. Companies providing reinsurance are reviewed for financial soundness as part of the ongoing monitoring process. The Company is also protected from catastrophic events through purchased coverage.

For additional information on these risks, refer to note 5(d), 5(e), and 5(f) of the Lifeco financial statements.

Risks Associated with Invested Assets

The Company acquires and manages portfolios of assets to produce risk-adjusted returns in support of policyholder obligations and corporate profitability.

The Boards of Directors or the Executive Committees and the Investment and Credit Committees of the Boards of Directors annually approve Investment & Lending Policies as well as Procedures and Guidelines. A comprehensive report on compliance with these policies, and guidelines is presented to the Boards of Directors or Investment and Credit Committees annually, and the Internal Audit department conducts an independent review of compliance with investment policies, procedures and guidelines on a periodic basis.

The significant risks associated with invested assets that the Company manages, monitors and controls are outlined below.

Interest Rate Risk – Great-West – Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change.

For asset/liability management purposes, the general funds are divided into segments. Assets in each segment are managed in relation to the liabilities in the segment. The risks associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

Derivative products are used only to hedge imbalances in asset and liability positions; they are not used for speculative purposes. Derivative products are traded with counterparties approved by the Board of Directors or the Investment and Credit Committee of the Board of Directors. They may include interest rate, foreign exchange and equity swaps, options, futures and forward contracts.

Interest Rate Risk – GWL&A – Interest rate risk is managed by investing in assets that are suitable for the products sold. For products with fixed and highly predictable benefit payments, such as certificate annuities and payout annuities, investments are made in fixed income assets that closely match the liability product cash flows. Protection against interest rate change is achieved as any change in the fair market value of the assets will be offset by a similar change in the fair market value of the liabilities. For products with uncertain timing of benefit payments, such as portfolio annuities and life insurance, investments are made in fixed income assets with cash flows of shorter duration than the anticipated timing of the benefit payments. This enables the Company to react to changing interest rates as these assets mature for reinvestment.

Credit Risk – It is Company policy to acquire only investment-grade assets and minimize undue concentration of assets in any single geographic area, industry and company. Guidelines specify minimum and maximum limits for each asset class.

Credit ratings for bonds are determined by recognized external credit rating agencies and/or internal credit review. These portfolios are monitored continuously and reviewed regularly with the Boards of Directors or the Investment and Credit Committees of the Boards of Directors.

Off-balance sheet credit risk is evaluated quarterly on a current exposure method, using practices that are at least as conservative as those recommended by regulators.

Liquidity Risk – The Company closely manages operating liquidity through cash flow matching of assets and liabilities and has approximately $25 billion in highly marketable securities.

Foreign Exchange Risk – Investments are normally made in the same currency as the liability. Any foreign currency assets acquired to back liabilities are converted using foreign exchange contracts.

Other Risks – The Company has established specific policy guidelines and monitoring procedures related to environmental risk management in the investment portfolios.

Derivative Instruments

The Company's risk management process governing the use of derivative instruments, includes:

- The Company acts only as an end-user of derivative products, not as a market maker.
- The Company has strict operating policies which:
  - prohibit the use of derivative products for speculative purposes,
  - permit transactions only with approved counterparties,
  - specify limits on concentration of risk,
  - document approval and issuer limits, and
  - document the required reporting and monitoring systems.

The Company's outstanding derivative products at December 31 and the related exposures are described in note 13 of the Lifeco financial statements.

Financial Information – Canadian Operations

Consolidated Operations

(in $ millions)

Years ended December 31	2000			1999			
	Shareholders	Participating Policyholders	Total	Shareholders	Participating Policyholders	Total	% Change
Income:							
Premium income (1)	$ 5,324	$ 1,302	$ 6,626	$ 4,484	$ 1,281	$ 5,765	15 %
Net investment income	1,249	936	2,185	1,279	915	2,194	–
Fee and other income	346	–	346	278	–	278	24 %
Total income	6,919	2,238	9,157	6,041	2,196	8,237	11 %
Benefits and Expenses:							
Paid or credited to policyholders	5,560	1,863	7,423	4,775	1,772	6,547	13 %
Other	821	260	1,081	779	274	1,053	3 %
Net operating income before income taxes	538	115	653	487	150	637	3 %
Income taxes	168	83	251	140	94	234	7 %
Net income before minority and other interests	370	32	402	347	56	403	–
Minority and other interests							
Participating policyholders	–	23	23	–	63	63	–63 %
Preferred shareholder dividends	27	–	27	28	–	28	–
Minority shareholders' interest	(6)	9	3	12	(7)	5	–40 %
	21	32	53	40	56	96	–45 %
Net income before goodwill amortization	349	–	349	307	–	307	14 %
Amortization of goodwill	61	–	61	59	–	59	3 %
Net income	$ 288	$ –	$ 288	$ 248	$ –	$ 248	16 %
Summary of Net Income							
Preferred shareholder dividends	$ 31	$ –	$ 31	$ 33	$ –	$ 33	–6 %
Net income – common shareholders	257	–	257	215	–	215	20 %
Net income	$ 288	$ –	$ 288	$ 248	$ –	$ 248	16 %
(1) excludes – segregated funds deposits	$ 3,490	$ –	$ 3,490	*$ 2,113*	*$ –*	*$ 2,113*	*65 %*
– self-funded premium equivalents (ASO)	$ 1,102	$ –	$ 1,102	*$ 1,039*	*$ –*	*$ 1,039*	*6 %*

Reference is made to note 16 of the Lifeco financial statements, Segmented Information, for the presentation of Great-West.

Net Income
Years ended December 31 (in $ millions)

	2000	1999	% Change
Net Income			
Shareholders			
Group Insurance	$ 66	$ 37	78 %
Individual Insurance & Investment Products	129	107	21 %
Reinsurance & Specialty General Insurance	34	66	-48 %
Corporate	59	38	55 %
	$ 288	$ 248	16 %

Net income from Great-West for 2000 was $288 million, compared to $248 million for 1999. Net income attributable to common shareholders was $257 million, up from $215 million for 1999.

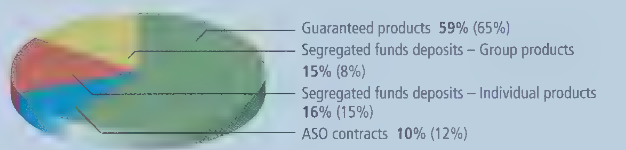
The net increase in income in 2000 reflected growth in fee income, strong investment performance and favourable morbidity experience, mitigated by a deterioration in reinsurance margins. Shareholders' net income in 2000 also reflected a reduction in provisions for Canadian income taxes stemming from federal government announcements in 2000, offset by a provision related to reducing the Company's exposure in Taiwan.

In terms of reportable segments, the increased net operating income reflects a significant recovery in Group Insurance health account profitability from 1999 levels, and an increase in the Individual Insurance & Investment Products income, particularly for retirement products. The reduced reinsurance margins and the provision related to Taiwan exposures are both reported in the Reinsurance & Specialty General Insurance segment.

PREMIUMS AND DEPOSITS

Total premiums and deposits were up 26% overall from 1999 levels. Guaranteed product premiums increased 15%, while self-funded premium equivalents (ASO contracts) were up 6%. Deposits to individual segregated funds grew 35%, while deposits to group accounts were more than double 1999 levels.

Within guaranteed or traditional risk premium income, annuity premiums declined as customers continue to show a preference for segregated funds. Reinsurance and specialty general insurance premiums increased 39% related to both the property and casualty and life insurance lines. This segment of business can reflect significant revenue increases or decreases depending on the structure of the contract and often is not related to profitability.



1999 figures are shown in brackets

Premiums and Deposits
Years ended December 31 (in $ millions)

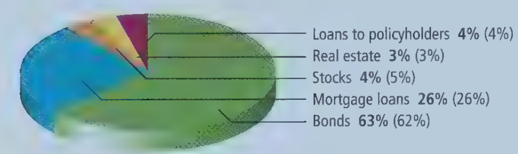
	Premiums and Deposits			Sales		
	2000	1999	% Change	2000	1999	% Change
Business/Product						
Group Insurance						
Small/mid-sized case	$ 967	$ 898	8 %	$ 139	$ 108	29 %
Large case	2,007	1,883	7 %	104	94	11 %
Individual Insurance						
Life insurance – Participating	1,302	1,281	2 %	57	64	-11 %
– Non-Participating	262	257	2 %	39	41	-5 %
Disability income	109	102	7 %	20	20	– %
Retirement & Investment Services	3,693	2,421	53 %	4,230	2,888	46 %
Reinsurance & Specialty General Insurance	2,878	2,075	39 %	2,878	2,075	39 %
	$ 11,218	$ 8,917	26 %	$ 7,467	$ 5,290	41 %
Summary by Type						
Guaranteed products	$ 6,626	$ 5,765	15 %			
ASO contracts	1,102	1,039	6 %			
Segregated funds deposits:						
– Individual products	1,817	1,344	35 %			
– Group products	1,673	769	118 %			
Total premiums and deposits	$ 11,218	$ 8,917	26 %			

Net Investment Income

Years ended December 31 (in $ millions)

	2000	1999	% Change
Gross investment income	**$ 2,200**	$ 2,213	-1 %
Investment expenses	**15**	19	-21 %
Net investment income	**$ 2,185**	$ 2,194	–

Net investment income for 2000, representing the investment revenues from general funds assets (excludes segregated funds assets) was essentially unchanged from 1999, reflecting a combination of market conditions and reduced investment expenses.



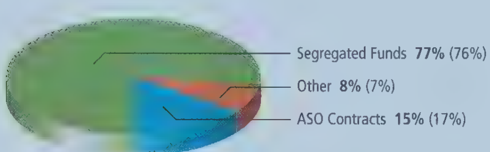
1999 figures are shown in brackets

Fee Income

Years ended December 31 (in $ millions)

	2000	1999	% Change
Segregated funds	**$ 268**	$ 210	28 %
ASO contracts	**51**	49	4 %
Other	**27**	19	42 %
	$ 346	$ 278	24 %

Fee income is derived from the management of segregated funds assets and the provision of Group health ASO business. The increase in fee income in 2000 is mainly due to increases of $58 million or 28% in segregated fund related fees compared to 1999.



1999 figures are shown in brackets

Paid or Credited to Policyholders

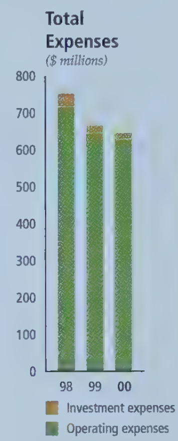
This amount is made up of increases in policy liabilities, claims, surrenders, annuity and maturity payments, dividend and experience refund payments for guaranteed products, but does not include payment amounts for fee-based products (ASO contracts and segregated funds).

In aggregate, $7.4 billion was paid or credited to policyholders in 2000, an increase of 13% compared to 1999.

Policyholder dividends credited in 2000 were $536 million, compared to $515 million in 1999. In 1999, policyholder dividends were reduced on some policies effective April 1. In 2000, policyholder dividends continued to reflect the impact of those lower payment levels in response to reduced portfolio investment yields.

Other

Included in other benefits and expenses are operating expenses and commissions, as well as premium taxes.



Operating expenses for 2000 are lower than 1999 levels by 2% or $14 million, continuing to reflect synergies realized from the integration of Great-West and London Life operations. On a total basis, aggregate expenses including investment expenses are down 3% or $18 million from 1999 levels, and down 14% or $105 million over two years from the comparable 1998 base.

Years ended December 31 (in $ millions)

	2000	1999	% Change
Total expenses	**$ 647**	$ 665	-3 %
Less: investment expenses	**15**	19	-21 %
Operating expenses	**632**	646	-2 %
Commissions	**390**	342	14 %
Premium taxes	**59**	65	-9 %
Total	**$ 1,081**	$ 1,053	3 %

Income Taxes

The reductions in current and future corporate income tax rates and the rate of inclusion for capital gains proposed in the February and October federal government announcements have been assumed to be substantially enacted and were applied in the calculation of current and future tax values. The impact of these changes, together with a favourable re-estimate of existing tax liabilities resulted in an increase in shareholder income of $25 million for the year ended December 31, 2000.

ASSETS

Total assets under administration increased 8% to $51.8 billion when compared to 1999. Segregated funds assets increased 19% and general funds assets increased 2%, reflecting the continuing preference of consumers for segregated funds over guaranteed funds.

Invested Assets

The Investment Division manages the general funds assets of Great-West and London Life. The division manages portfolios of assets that support the cash flow, liquid-

Consolidated Balance Sheet – Canadian Operations

December 31 (in $ millions)

	2000			1999		
	Shareholders	Participating Policyholders	Total	Shareholders	Participating Policyholders	Total
Assets						
Invested assets	$ 14,160	$ 12,716	$ 26,876	$ 15,087	$ 12,292	$ 27,379
Goodwill	1,602	–	1,602	1,658	–	1,658
Other assets	4,157	492	4,649	2,901	390	3,291
Total assets	$ 19,919	$ 13,208	$ 33,127	$ 19,646	$ 12,682	$ 32,328
Segregated funds assets			18,682			15,730
Total assets under administration			$ 51,809			$ 48,058
Liabilities, Capital Stock and Surplus						
Policy liabilities	$ 15,104	$ 11,193	$ 26,297	$ 15,216	$ 10,551	$ 25,767
Net deferred gains on portfolio investments sold	512	482	994	536	557	1,093
Other liabilities	1,687	308	1,995	1,203	370	1,573
Total liabilities	17,303	11,983	29,286	16,955	11,478	28,433
Minority and other interests	487	1,225	1,712	717	1,204	1,921
Capital stock and surplus	2,129	–	2,129	1,974	–	1,974
Total liabilities, capital stock and surplus	$ 19,919	$ 13,208	$ 33,127	$ 19,646	$ 12,682	$ 32,328

ity and profitability requirements of the Company's insurance and investment products. The Investment Division invests the majority of the general funds in medium-term and long-term fixed-income investments, primarily bonds and mortgages, reflecting the characteristics of the Company's liabilities.

Great-West and London Life follow prudent and conservative investment policies, so that assets are not unduly exposed to concentration, credit or market risks. The Investment Division implements strategies within the overall framework of the Company's policies, reviewing and adjusting them on an ongoing basis in light of liability cash flows and capital market conditions.

New investments in 2000, including reinvestment of maturing assets, were primarily in bonds and mortgages, with a small increase in exposure to the equity markets.

Net investment income was $2.2 billion in 2000, the same level as 1999. Improved bond returns and strong equity and real estate performance offset the slight decrease in invested assets and the maturities of higher rate fixed income investments.

Bond Portfolio

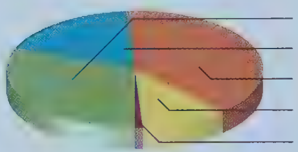
Investment in government and corporate bonds represented a smaller portion of investment activity in 2000 than in prior years. The total bond portfolio decreased by $1.1 billion to $15.5 billion, reflecting the continuing shift towards segregated funds assets. Federal, provincial and other government securities represented 37% of the bond portfolio, down from 46% in 1999.

Asset Distribution

December 31 (in $ millions)

	2000		1999	
Government bonds	$ 5,741	21 %	$ 7,624	28 %
Corporate bonds	9,804	37	8,976	33
Mortgages	7,522	28	7,535	27
Stocks	1,020	4	740	3
Real estate	1,040	4	947	3
Sub-total portfolio investments	25,127		25,822	
Cash & certificates of deposit	396	1	290	1
Policy loans	1,353	5	1,267	5
Total invested assets	$ 26,876	100 %	$ 27,379	100 %

The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 88% rated A or higher. Book value of non-performing bonds was $20 million or 0.1% of bonds at year-end 2000; there were no non-performing bonds a year ago. Total allowances for credit losses increased to $16 million from $3 million a year ago.



1999 figures are shown in brackets

Bond Portfolio Quality

(excludes $692 million short-term investments, $701 million in 1999)
December 31 *(in $ millions)*

	2000		1999	
Estimated Rating				
AAA	**$ 4,558**	**31 %**	$ 5,734	36 %
AA	**2,745**	**18**	3,050	19
A	**5,757**	**39**	5,214	33
BBB	**1,619**	**11**	1,748	11
BB or lower	**174**	**1**	153	1
Total	**$14,853**	**100 %**	$15,899	100 %

Mortgage Portfolio

The mortgage portfolio stabilized at $7.5 billion in 2000, and consisted of 61% commercial loans and 39% single family residential loans, unchanged from a year ago.

Credit experience in the Company's mortgage portfolios continued to be favourable. Aggregate non-performing loans declined to $14 million or 0.2% of the mortgage portfolio at the end of 2000, compared to $61 million or 0.8% in 1999. Total allowances for credit losses decreased to $27 million from $54 million a year ago.

Liquidity

The Company uses a number of techniques to manage liquidity in the general funds. Products are designed to improve the predictability of their liability cash flows and to reduce the risk of disintermediation. Assets are acquired to provide cash flows that match the requirements of liabilities. A portion of assets is held in highly marketable securities that can be sold to meet cash flow requirements prior to maturity. Additional liquidity is available through established lines of credit and the Company's demonstrated ability to access the capital markets for funds.

Liquid assets of $14.6 billion provide adequate levels of liquidity, particularly when used in combination with the other methods of liquidity management available to the Company.

Cashable Liability Characteristics

December 31 *(in $ millions)*

	2000	1999
Surrenderable insurance and annuity liabilities		
At market value	**$ 3,104**	$ 3,763
At book value	**10,949**	10,752
Total	**$ 14,053**	$ 14,515

Liquid Assets

December 31 *(in $ millions)*

	2000		1999	
	Balance Sheet Value	Market Value	Balance Sheet Value	Market Value
Cash & certificates of deposit	**$ 354**	**$ 354**	$ 277	$ 277
Highly marketable securities				
Government bonds	**5,503**	**5,625**	7,451	7,186
Corporate bonds	**6,400**	**6,357**	4,980	4,730
Common/Preferred shares	**783**	**844**	361	439
Residential mortgages (insured)	**1,431**	**1,422**	1,511	1,480
Total	**$ 14,471**	**$ 14,602**	$ 14,580	$ 14,112

Segregated Funds

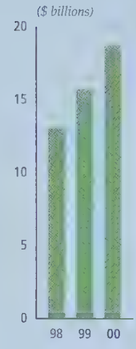
The Investment Division and the Company's subsidiaries – GWL Investment Management Ltd. (GWLIM), London Life Investment Management Ltd. (LLIM), and GWL Realty Advisors (GWLRA) – are the investment managers for the Company's segregated funds.

During 2000, the Company added 63 new segregated funds and assets under management grew by $3 billion or 19%, to $18.7 billion at year-end. In total, the Company offers 240 segregated funds as part of Individual and Group Retirement Services lines of business, including 142 funds totaling $5.3 billion managed by 22 external managers as sub-advisors to GWLIM and LLIM.

Segregated Funds Assets
December 31 (in $ millions)

	2000	1999	1998	1997	1996
Stocks	**$ 11,238**	$ 9,025	$ 6,914	$ 6,180	$ 2,788
Bonds	**4,249**	4,024	3,837	3,094	1,374
Mortgages	**1,070**	1,128	960	872	440
Real estate	**1,383**	1,119	877	415	226
Cash and other	**742**	434	371	402	71
Total	**$ 18,682**	$ 15,730	$ 12,959	$ 10,963	$ 4,899
Internally-managed	**13,383**	12,397	10,754	9,397	4,359
Externally-managed	**5,299**	3,333	2,205	1,566	540
Year over year growth	**19%**	21%	18%	124%	–

Segregated Funds Assets
($ billions)



Outlook – Investment

The Canadian economy enjoyed a year of strong growth in 2000. While growth in the United States slowed in the latter half of the year and into 2001, and is anticipated to slow in Canada as well in 2001, the Company does not believe that the economy is headed for a recession. Given its conservative lending policies and rigorous underwriting practices, the Company does not anticipate significant change in credit loss experience in a more slowly growing economy in 2001.

The monetary authorities reduced interest rates in both Canada and the U.S. early in 2001; further easing in rates is expected during the first half of the year. While credit spreads in the fixed-income markets were, on average, little changed in 2000 from the previous year, they widened towards the end of 2000 and into the new year on concerns of an economic slowdown. The Company expects spreads to ease during the year as forecasts on slowing growth, not recession, prove to be correct.

BUSINESS SEGMENTS – GREAT-WEST

GROUP INSURANCE

Net income attributable to common shareholders increased dramatically in 2000, to $66 million. The long-term disability business experienced improved morbidity results reflecting a combination of lower claims incidence and rate increases implemented in both 1999 and 2000. Expense gains also emerged in the health account as synergies from the integration of the London Life group business continued to enhance earnings growth. Productivity gains in administration and sales resulted in an 8% reduction in unit costs.

The gains in the health account were partially offset by deterioration of results in the life account. Mortality experience, both in terms of death claims and waiver claims, did not meet expectations.

After a year of relatively flat growth during the integration of the London Life group business in 1999, the Group operations resumed its historical growth trends with insurance premium income of $2.974 billion in 2000. Overall premium income, which includes claims from ASO clients, was up 7%. This growth rate was driven by buoyant sales and improved persistency (client retention).

Sales were up 20% over 2000 with significant gains recorded in the targeted small and mid-sized client market. The 29% growth rate in this target market reflects the Company's success in capitalizing on its strong distribution networks and leading marketplace position. Sales in the large case insured market were up sharply, but these results were offset by lower sales in the large case ASO

Group Insurance – Divisional Summary
Years ended December 31 (in $ millions)

	Premiums and Deposits			Sales		
	2000	1999	% Change	2000	1999	% Change
Business/Product						
Small/mid-sized case	**$ 967**	$ 898	8 %	**$ 139**	$ 108	29 %
Large case – insured	**905**	844	7 %	**52**	24	117 %
– ASO	**1,102**	1,039	6 %	**52**	70	-26 %
Total	**$ 2,974**	$ 2,781	7 %	**$ 243**	$ 202	20 %

Group Insurance – Consolidated Net Income
Years ended December 31 (in $ millions)

	2000	1999
Income:		
Premium income	$ 1,872	$ 1,742
Net investment income	209	206
Fee and other income	51	49
Total income	2,132	1,997
Benefits and Expenses:		
Paid or credited to policyholders	1,630	1,550
Other	354	344
Net operating income before income taxes	148	103
Income taxes	59	43
Net income before minority and other interests	89	60
Minority and other interests		
Participating policyholders	–	–
Preferred shareholder dividends	–	–
Minority shareholders' interest	–	–
	–	–
Net income before goodwill amortization	89	60
Amortization of goodwill	23	23
Net income	$ 66	$ 37
Summary of Net Income		
Preferred shareholder dividends	$ –	$ –
Net income – common shareholders	66	37
Net income	$ 66	$ 37

market. Great-West continues to approach the large case market on a selective basis, which results in significant fluctuations in sales from year to year.

Persistency, while improving, remains below long-term expected levels. With service now at satisfactory levels and customer relationships solidified, the Company expects significant persistency improvement in the years ahead.

Risk Analysis and Management – The basic risk related to group insurance focuses on the insurer's ability to predict claims experience for the coming year. Most risks facing the group insurance business are mitigated by the fact that most contract rate levels can be adjusted on a yearly basis.

In health care products, claims levels are driven by inflation and utilization. While inflationary trends are relatively easy to predict, claims utilization is less predictable. The impact of aging, which plays a role in utilization, is well documented. However, the introduction of new services, such as breakthrough drug therapies, has the potential to substantially escalate benefit plan costs. The Company manages the impact of these and similar factors through plan designs that limit new costs and through pricing that takes demographic and other trend factors into account.

In disability products, aging and industry characteristics play a role in establishing future claims patterns. However, there is a growing number of disability claims related to stress and mental/nervous disorders, reflecting changes in the economy and in societal attitudes toward these conditions. The incidence of these claims is more difficult to predict, they are more time-consuming to adjudicate and tend to be longer in duration than claims related to other disabilities. These risks are managed through pricing and plan designs that emphasize prevention, earlier intervention and return to work programs.

Outlook – Group Insurance

Demutualization and consolidation have resulted in price rationalization in the group marketplace. With Great-West's strategic position, in terms of low unit costs and extensive distribution capacity, the Company is well positioned for significant growth of group insurance premium and net operating income. In this new marketplace environment, the emergence of new technologies combined with the growth of the Internet, are creating new challenges and opportunities to expand our markets and enhance growth. The Group Division will be focused on capitalizing on these opportunities by providing its plan

sponsors, plan members and producers with direct and expanded access to its administration system in order to execute real-time transactions. As well, the Internet will facilitate new opportunities to introduce new products, supply information on specific topics and other financial products.

INDIVIDUAL INSURANCE & INVESTMENT PRODUCTS

Individual Insurance & Investment Products (IIIP) consists of three distinct business divisions: Individual Life Insurance, Individual Disability Insurance and Retirement & Investment Services (R&IS). Net income attributable to common shareholders increased 21% to $129 million, with increases in all IIIP divisions. Results were influenced by favourable mortality and morbidity experience and satisfactory expense levels. In the three years since the acquisition of London Life, the Company has realized the expense savings it anticipated. Integration is now largely complete, and the Company anticipates that future expense improvements will be at a more modest level.

Individual Life Insurance

Individual life insurance sales, as measured by annualized premium, were $96 million in 2000, while revenue premium exceeded $1.5 billion.

Sales declined 9% overall in 2000 compared to 1999. Term insurance sales were down 19% in terms of new annualized premium over 1999, due to aggressive term pricing in the market. The Company will be enhancing its term insurance products in 2001 by reducing its rates with the assistance of reinsurance arrangements and improved mortality rates. Universal life sales increased 6% in 2000, and are focused in the under $500,000 market.

Individual Insurance & Investment Products – Consolidated Net Income

Years ended December 31 (in $ millions)

	2000			1999		
	Shareholders	Participating Policyholders	Total	Shareholders	Participating Policyholders	Total
Income:						
Premium income	$ 574	$ 1,302	$ 1,876	$ 667	$ 1,281	$ 1,948
Net investment income	513	936	1,449	597	915	1,512
Fee and other income	279	–	279	220	–	220
Total income	1,366	2,238	3,604	1,484	2,196	3,680
Benefits and Expenses:						
Paid or credited to policyholders	719	1,863	2,582	895	1,772	2,667
Other	395	260	655	372	274	646
Net operating income before income taxes	252	115	367	217	150	367
Income taxes	95	83	178	82	94	176
Net income before minority and other interests	157	32	189	135	56	191
Minority and other interests						
Participating policyholders	–	23	23	–	63	63
Preferred shareholder dividends	–	–	–	–	–	–
Minority shareholders' interest	–	9	9	–	(7)	(7)
	–	32	32	–	56	56
Net income before goodwill amortization	157	–	157	135	–	135
Amortization of goodwill	28	–	28	28	–	28
Net income	$ 129	$ –	$ 129	$ 107	$ –	$ 107
Summary of Net Income						
Preferred shareholder dividends	$ –	$ –	$ –	$ –	$ –	$ –
Net income – common shareholders	129	–	129	107	–	107
Net income	$ 129	$ –	$ 129	$ 107	$ –	$ 107

Individual Insurance – Divisional Summary

Years ended December 31 (in $ millions)

	Individual Life		Individual Disability	Total
	Participating	Non-Participating		
December 31, 2000				
Sales premium	**$ 57**	**$ 39**	**$ 20**	**$ 116**
Revenue premium income	**1,302**	**262**	**109**	**1,673**
December 31, 1999				
Sales premium	$ 64	$ 41	$ 20	$ 125
Revenue premium income	1,281	257	102	1,640

In 1999, the Company rounded out its universal life product offering through an intercorporate agreement with a third-party to market a universal life product for the over $500,000 market. Sales of this product more than doubled in 2000. The Company expanded its intercorporate offering of life insurance products in 2000 by adding an additional third-party universal life product. In addition, products available under the agreements were expanded to include term insurance and non-participating permanent products over $500,000 in addition to universal life.

Sales of participating policies decreased 11%, but were strong in the mature market, where consumers are concerned with wealth management. The retrenchment of participating sales in Canada spurred by demutualization, has enhanced the Company's dominant market position to over 40% of participating sales in Canada.

The Company's sound management of its participating blocks of business has enabled it to deliver long-term policyholder dividend performance that is consistently among the best in the industry. Participating portfolio investment returns were lower due to market conditions causing pressure on earnings. However, favourable mortality, morbidity, and expense levels allowed the Company to maintain dividend scales for 2000. A regulated percentage of in-year distributable surplus in the participating account is credited to the shareholders' account. In 2000, the amount was $14 million.

Risk Analysis and Management – The most significant risk in the life insurance line of business is mortality, which has an impact both on claims paid during the year and on the reserves that must be established to fund future claims. The Company manages this risk primarily through effective underwriting practices, developed to support the long-term sustainability of the business. The nature of life insurance contracts is such that the impact of underwriting policies tends to emerge 20 or 30 years after contracts are issued, when the majority of claims are incurred. Current mortality experience reflects the diligence of underwriting practices over past decades, as well as current practices.

A current risk in the industry involves the pricing of the level cost of insurance option within universal life products. The pricing of this option, guaranteed for the life of the policy, requires an interest rate and lapse assumption extending over long periods. A small adverse change in actual long-term lapses or investment returns can lead to significant insufficiency in the premiums. Management considers the current industry pricing of this option to be lower than required to produce adequate profitability, and has avoided significant exposure in this market.

Disability Insurance

Total sales in this line of business, which includes disability insurance and critical illness insurance, were constant in 2000, at $20 million in new annualized premium. However, a general decline in the disability insurance market meant the Company was able to maintain its leading market share of over 20%.

The self-employed market continues to be the main source of sales, accounting for approximately 70% of sales. This trend is supported by ongoing consolidation in a number of industries, and this market is expected to continue to be an important source of sales.

Revenue premium increased 7%, indicating satisfactory persistency rates.

Risk Analysis and Management – The most significant risk for this line of business is morbidity which consists of the incidence and duration of claims for disability insurance and of the incidence of critical conditions for critical illness insurance. The Company manages this risk through its underwriting practices, experience and trend analysis, and its reserve and pricing reviews.

Disability experience is highly cyclical and changes with economic conditions. There is a growing number of disability claims related to stress and mental/nervous disorders, reflecting changes in the economy and in societal attitudes toward these conditions. The incidence of these claims is more difficult to predict, they are more time-consuming to adjudicate and tend to be longer in duration than claims related to other disabilities. The Company's large block of business provides credible experience to analyze claims management and pricing.

RETIREMENT & INVESTMENT SERVICES

In 2000, the Company's Retirement & Investment Services business saw significant sales growth over 1999. The stock market correction in late 1998 combined with consumer concerns about Y2K depressed contributions to investment funds in Canada throughout 1999. However, sales rebounded quickly in 2000, leading to the Company's strongest year on record.

Total assets under administration increased 9% in total. The growth occurred in segregated funds, where total assets increased by 19% offset by a decline in guaranteed product assets, where the current low interest rate environment continued to encourage consumers to invest in non-guaranteed products.

One benchmark for measuring growth is the mutual funds assets statistics published by the Investment Funds Institute of Canada (IFIC). The Company's segregated funds grew by 19%, in a year when total mutual fund assets in Canada increased by 8% based on IFIC statistics. The Company maintained its hold on the leading market share position for individual segregated funds.

In terms of sales, gross sales of individual savings plan were up 19% in 2000. Retention experience in individual segregated funds was stable, which can be attributed to an enhanced investment process used by investment representatives assisting clients with investment decisions. Net cash flow, another benchmark used by IFIC, measures growth in sales net of redemptions, and is an indication of clients' satisfaction with their investment. In 2000, net cash flow for segregated fund assets was 15% of beginning assets, compared to 6% for the Canadian mutual fund industry.

Two factors contributed to the growth in group savings plan sales in 2000. The introduction of the Company's new consolidated group *Envision your retirement* product, gave rise to an increase in sales activity throughout the year, and significant enhancements were made to the online services offered to group plan members.

Group Investment Management sales results for 2000 increased significantly over 1999 to over $1 billion, as a result of several large case sales.

Mutual Funds – For a number of years, London Life has been involved in the mutual funds market through London Financial Centre (LFC). In 2000, the Company rebranded LFC as Quadrus Investment Services, and established it as a mutual fund dealer for Freedom 55 Financial and Great-West investment representatives.

In 2000, sales of mutual funds through Quadrus increased 31%, while distributed assets increased 11%. By year end, Quadrus had more than 2,000 licensed investment representatives, and significant growth is expected to continue in this relatively new line of business.

Retirement & Investment Services – Divisional Summary

Years ended December 31 (in $ millions)

	Individual Savings Plans	Group Savings Plans	Group Investment Management	Payout Annuities	Total
December 31, 2000					
Sales premium (1)					
Guaranteed	$ 596	$ 59	$ 15	$ 56	$ 726
Segregated funds	2,295	202	1,007	–	3,504
Revenue premium income					
Guaranteed	92	63	–	48	203
Segregated funds	1,817	677	996	–	3,490
Assets under administration (1)					
Guaranteed	1,267	1,148	67	2,898	5,380
Segregated funds	9,494	3,698	5,490	–	18,682
Total	$ 10,761	$ 4,846	$ 5,557	$ 2,898	$ 24,062
December 31, 1999					
Sales premium (1)					
Guaranteed	$ 667	$ 35	$ 14	$ 64	$ 780
Segregated funds	1,758	81	269	–	2,108
Revenue premium income					
Guaranteed	117	148	–	43	308
Segregated funds	1,344	514	255	–	2,113
Assets under administration (1)					
Guaranteed	1,863	1,328	67	2,991	6,249
Segregated funds	7,863	3,330	4,537	–	15,730
Total	$ 9,726	$ 4,658	$ 4,604	$ 2,991	$ 21,979

(1) Excludes Quadrus distributed mutual funds sales and assets.

Quadrus Investment Services
Years ended December 31 (in $ millions)

	2000	1999
Mutual fund sales	$ **117**	$ 89
Distributed mutual fund assets	**803**	722

The Company now offers more than 45 segregated funds to individual Freedom 55 Financial clients, 54 segregated funds to individual Great-West clients and 40 mutual funds through Quadrus. Clients can choose from up to eight different fund managers in most cases. Group sponsors can choose to offer their employees up to 100 investment choices.

Risk Analysis and Management – The Company's segregated fund business is fee-based, with revenue and profitability based on the market value of segregated funds assets under administration. Fluctuations in segregated funds asset levels will occur as a result of both changes in cash flow and general financial market conditions. Through the wide range of segregated funds offered by the Company, risk exposure to any particular market is limited. As well, the Company advocates a long-term asset allocation approach for its clients, which reduces the risk to the Company of cash flow changes due to market timing.

A risk facing the industry is the trend toward offering guarantees to clients against losses on segregated funds investments. The Company worked actively within the industry to establish sound reserving and capital standards, and effective regulation for these guarantee products. New capital requirements were introduced by OSFI commencing year-end 2000 based on a risk adjusted set of factors proposed by a Task Force of the Canadian Institute of Actuaries. This development has created significant changes in product design across the industry with a trend towards more conservative guarantees. This change in industry posture has served to increase the competitiveness of the Company's products, as well as lower the overall risk levels for the industry in the future. The vast majority of the Company's guarantees are at the level of 75% of policyholder deposits less withdrawals at maturity, rather than the more aggressive level of 100%. An additional premium is required to obtain a 100% guarantee through an enhanced guarantee rider in the individual Great-West fund product.

Outlook – IIIP

As the aging Canadian population changes its focus to retirement and estate preservation from mortgage debt repayment, a continued strong demand is anticipated for the type of financial security advice and products delivered through our distribution systems.

Two markets, in particular, are the focus of initiatives continuing in 2001. The Company will increase its penetration of the high-net-worth market with several new investment products and financial security planning tools. In addition, research reveals significant untapped potential within the London Life client base. In 2001, the Company intends to increase sales of insurance and investment products to this large market.

Consolidation in the Canadian insurance marketplace will continue to open up opportunities for distribution alliances. An enhanced revenue stream is anticipated from the distribution of new third-party products, and from agreements negotiated with other financial institutions in 2000 to distribute the Company's disability insurance and small group insurance products. These distribution arrangements require little or no capital investment on the part of the Company, and generate significant net income.

Tight control of expenses will continue to be a priority, with automation of order and issue processes and consolidation of computer systems increasing efficiency and contributing to lower operating expenses in 2001.

REINSURANCE & SPECIALTY GENERAL INSURANCE

The Company conducts its reinsurance and specialty general insurance business primarily through London Reinsurance Group and London Guarantee, which participate in life, property and casualty, accident and health, annuity coinsurance and specialty general insurance in specific niche markets.

Net income of $34 million is down $32 million in total from 1999 levels. This was primarily the result of reduced earnings from London Reinsurance Group and London Life International, partially offset by increased income generated by London Guarantee in 2000.

Net Income Analysis
Years ended December 31 (in $ millions)

	2000	1999
London Reinsurance Group	$ **45**	$ 58
London Guarantee	**10**	8
London Life International	**(22)**	(1)
Other	**1**	1
Total	$ **34**	$ 66

London Reinsurance Group (LRG)

Great-West has identified reinsurance as a core business. The Company's reinsurance business is conducted through London Reinsurance Group (LRG). LRG is a leading global provider of specialty finite reinsurance and holds a strategic position in a number of niche retrocession and reinsurance markets. LRG is a composite reinsurer, reinsuring life, property and casualty, accident and health and annuity business primarily in the United States and Europe, through operating companies in the United States, Barbados and Ireland. LRG is a market leader in the U.S. property and casualty finite retrocession market and holds a strong market share in the U.S. life financial reinsurance market.

Net operating income after income taxes for 2000 was down 22% from 1999. LRG's core reinsurance product lines in the life, annuity and property and casualty businesses performed well.

The major underperforming lines were the accident and health reinsurance and syndicated property and casualty markets. The results of the property catastrophe line were affected by a loss of $12 million due to two large European windstorms which occurred at the end of 1999. However, the majority of this loss was offset by reserves established for such an event. The Company terminated its participation in the London, England accident and health and the syndicated property and casualty markets in 1999. LRG is actively managing the runoff of this existing business. The results for those lines include the establishment of provisions to provide for potential exposure during the runoff period.

Premium income increased in 2000 primarily due to the nature of underlying life and property and casualty reinsurance contracts written in 2000. A greater number of structured reserve transfer deals were written in 2000 than in 1999.

Risk Analysis and Management – LRG continues to manage its own risk through the diversification of its business by client, geographic area and type of risk insured. LRG's base of lower risk financial reinsurance business, together with a conservative approach to underwriting, investment and financial management allows LRG to react to a constantly changing business environment.

LRG's capacity to write financial reinsurance business is determined primarily by its ability to issue letters of credit to clients and maintain a strong liquidity position. During 2000, LRG successfully arranged a U.S. $1.425 billion syndicated letter of credit facility.

Reinsurance & Specialty General Insurance – Consolidated Net Income

Years ended December 31 (in $ millions)

	2000	1999
Income:		
Premium income	$ 2,878	$ 2,075
Net investment income	412	379
Fee and other income	2	2
Total income	3,292	2,456
Benefits and Expenses:		
Paid or credited to policyholders	3,205	2,309
Other	61	50
Net operating income before income taxes	26	97
Income taxes	(10)	13
Net income before minority and other interests	36	84
Minority and other interests		
Participating policyholders	–	–
Preferred shareholder dividends	–	–
Minority shareholders' interest	(6)	10
	(6)	10
Net income before goodwill amortization	42	74
Amortization of goodwill	8	8
Net income	$ 34	$ 66

Summary of Net Income		
Preferred shareholder dividends	$ –	$ –
Net income – common shareholders	34	66
Net income	$ 34	$ 66

London Reinsurance Group – Divisional Summary

Years ended December 31 (in $ millions)

	2000		1999	
	Premium Income	Assets	Premium Income	Assets
Line of Business				
Life and property and casualty	$ 2,507	$ 4,628	$ 1,623	$ 3,721
Annuity	217	997	312	1,077
Accident and health	86	81	88	130
Capital and surplus	–	758	–	698
	$ 2,810	$ 6,464	$ 2,023	$ 5,626
Geographic				
Barbados	$ 2,551	$ 5,107	$ 1,789	$ 4,835
Other	259	1,357	234	791
	$ 2,810	$ 6,464	$ 2,023	$ 5,626

The consolidation of the reinsurance industry is a significant trend affecting how reinsurance business is conducted. LRG's response to this industry consolidation has been to broaden its life and non-life reinsurance product offerings and strengthen its relationships with core clients.

Outlook – LRG

In the coming year, LRG sees opportunities for expansion in financial reinsurance in its property and casualty, life and annuity businesses. The United States financial life business has been a growth area for the last two years and that trend is expected to continue. LRG is in a unique position to take advantage of this market because its subsidiaries in Dublin and Barbados are dual-licensed, meaning they can write both property and casualty and life reinsurance contracts.

LRG looks forward to ongoing expansion in its core businesses, complemented by growth from acquisitions and the development of new product lines. LRG expects to see improvement in core business lines of property and casualty and life reinsurance. Accident and health business is expected to improve as losses should be lower given this line has been in run-off for two years.

LRG will continue to develop strong business relationships in the reinsurance and insurance industry on a global basis and underwrite both life and non-life reinsurance contracts using a conservative and disciplined approach to underwriting.

London Guarantee

Within its core businesses, London Guarantee differentiates itself from the competition through the quality of its underwriting and by maintaining strong relationships with its key brokers. This has permitted the Company to achieve levels of growth and underwriting profitability that compare very favourably with the property and casualty industry in general.

Total premium income increased to $68 million in 2000 from $52 million in 1999. Premiums from the Company's surety lines grew by more than 24%, reflecting its dominant position in central Canada and its recent expansion into the north-eastern United States. The Company's commitment to remain focused on underwriting quality and key broker relationships will ensure its continued success and status as the largest surety underwriter in Canada.

Despite the increasingly competitive Canadian market for corporate risk products, London Guarantee's premium income from these lines grew by more than 23% in 2000, with solid performance across Canada. The Company expects this strong rate of growth to continue into 2001.

Risk Analysis and Management – London Guarantee insures a broad range of risks within each of its product lines. Its major markets are diverse and stretch across Canada and into the north-eastern United States.

The growth and profitability cycles of the Company's individual lines have historically complemented each other. Combined with the significant weight the Company places on the quality of both its underwriting and the brokers it deals with, the overall result has been a consistently above-average rate of growth and level of underwriting profit.

In order to protect its capital and its underwriting results, London Guarantee has entered into risk-sharing arrangements with well-established North American and European reinsurance companies. These arrangements limit the Company's exposure to large individual losses and the aggregated impact of a series of large losses.

London Life International (LLIC)

During 2000, the Company's exposure to the Asian market was significantly reduced. LLIC's holding in China Investment Development Co. Ltd. has been sold effective Decem-

ber 30, 2000 and a modest gain on sale recorded in 2000.

The Company's remaining Asian market position is represented by its investment in Shin Fu Life Insurance Co., Ltd. in Taiwan. The Company has withdrawn from active involvement in managing Shin Fu and has explored available disposition alternatives, including its put option under the joint venture agreement. The Company has fully provided for any potential impact of this action on its financial position.

These steps have resulted in a net charge to shareholders' earnings for the year ended December 31, 2000 of $22 million (after tax).

CORPORATE

The Corporate segment is mainly used to record the business activities and operations that are not associated with the major business units of Canadian operations. The Corporate segment includes investment and fee income, expenses and charges related to capital and other assets not associated with major business units, as well as the reconciliation of total income taxes reported for the shareholder account and the internal allocation of income taxes to the major units.

Net income for the Corporate segment of Canadian shareholder operations in 2000 was $59 million, compared to $38 million for 1999. Most of the change relates to increased investment income on capital related assets and a favourable change in provision for income taxes.

Corporate – Consolidated Net Income

Years ended December 31 (in $ millions)

	2000	1999
Income:		
Premium income	$ –	$ –
Net investment income	115	97
Fee and other income	14	7
Total income	129	104
Benefits and Expenses:		
Paid or credited to policyholders	6	21
Other	11	13
Net operating income before income taxes	112	70
Income taxes	24	2
Net income before minority and other interests	88	68
Minority and other interests		
Participating policyholders	–	–
Preferred shareholder dividends	27	28
Minority shareholders' interest	–	2
	27	30
Net income before goodwill amortization	61	38
Amortization of goodwill	2	–
Net income	$ 59	$ 38
Summary of Net Income		
Preferred shareholder dividends	$ 31	$ 33
Net income – common shareholders	28	5
Net income	$ 59	$ 38

GWL&A – 2000 OPERATING RESULTS

Financial Information – United States Operations

Consolidated Operations

(in $ millions)

Years ended December 31	2000 Shareholders	2000 Participating Policyholders	2000 Total	1999 Shareholders	1999 Participating Policyholders	1999 Total	% Change
Income:							
Premium income (1)	$ 2,944	$ 406	$ 3,350	$ 2,360	$ 401	$ 2,761	21 %
Net investment income	976	488	1,464	957	429	1,386	6 %
Fee and other income	1,295	–	1,295	945	(1)	944	37 %
Total income	5,215	894	6,109	4,262	829	5,091	20 %
Benefits and Expenses:							
Paid or credited to policyholders	3,098	853	3,951	2,601	788	3,389	17 %
Other	1,530	28	1,558	1,194	27	1,221	28 %
Net operating income before income taxes	587	13	600	467	14	481	25 %
Income taxes	191	9	200	138	(6)	132	52 %
Net income before minority and other interests	396	4	400	329	20	349	15 %
Minority and other interests							
Participating policyholders	–	4	4	–	20	20	–80 %
Preferred shareholder dividends	6	–	6	6	–	6	–
Minority shareholders' interest	–	–	–	1	–	1	–
	6	4	10	7	20	27	–63 %
Net income before goodwill amortization	390	–	390	322	–	322	21 %
Amortization of goodwill	4	–	4	1	–	1	–
Net income	$ 386	$ –	$ 386	$ 321	$ –	$ 321	20 %
Summary of Net Income							
Preferred shareholder dividends	$ –	$ –	$ –	$ –	$ –	$ –	–
Net income – common shareholders	386	–	386	321	–	321	20 %
Net income	$ 386	$ –	$ 386	$ 321	$ –	$ 321	20 %
(1) excludes – segregated funds deposits	*$ 4,611*	*$ –*	*$ 4,611*	*$ 3,837*	*$ –*	*$ 3,837*	*20 %*
– self-funded premium equivalents (ASO)	*$ 7,695*	*$ –*	*$ 7,695*	*$ 4,425*	*$ –*	*$ 4,425*	*74 %*

Reference is made to note 16 of the Lifeco financial statements, Segmented information, for the presentation of GWL&A.

Net income attributable to common shareholders from GWL&A for 2000 was $386 million, compared to $321 million for 1999.

The positive earnings results were due to a combination of an improvement in individual mortality, increased fee income, and favorable group health morbidity experience.

In terms of reportable segments, net operating income before income taxes was up from 1999 levels for both divisions. A discussion of those results follow in the major business unit reports.

Net Income

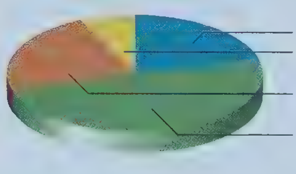
Years ended December 31 (in $ millions)

	2000	1999	% Change
Net Income			
Shareholders			
Employee Benefits	$ 205	$ 168	22 %
Financial Services	174	139	25 %
Corporate	7	14	-50 %
	$ 386	$ 321	20 %

PREMIUMS AND DEPOSITS

The 42% increase in premium income and deposits in 2000 was comprised of growth in Employee Benefits premium income and deposits of $3.8 billion and an increase in Financial Services premium income and deposits of $815 million. The growth in premium income in the Employee Benefits segment is primarily due to premium equivalents from ASO contracts. Guaranteed premiums are up due to the growth in premiums of $442 million from the 1999 acquisition of the block of business from General American Life Insurance Company. The increase of $815 million in Financial Services premium income was due to increased Bank Owned Life Insurance (BOLI) premium and increased single premium in the public non-profit business.

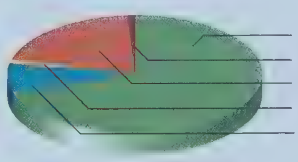
The increase in the guaranteed products of 21% reflects growth in group life and health premiums of $242 million and an increase in public non-profit premium of $355 million. The ASO equivalent premium growth of 74% to $7.7 billion is driven by the General American acquisition, which contributed $2.5 billion. The segregated funds increase of 13% in Group products is the result of 401(k) business and the 55% increase in individual products is primarily driven by the sales of the BOLI variable life product introduced in 1999.



1999 figures are shown in brackets

Net Investment Income

Net investment income for 2000, representing the investment revenue from general funds assets (excludes segregated funds assets) increased 6% compared to 1999, reflecting a combination of market conditions and little growth in the general account portfolio. The bond component of net investment income increased to 70% in 2000, as the Company continues to invest primarily in investment grade bonds.



1999 figures are shown in brackets

Premiums and Deposits

Years ended December 31 (in $ millions)

	Premiums and Deposits			Sales		
	2000	1999	% Change	2000	1999	% Change
Business/Product						
Employee Benefits						
Group life and health	$ 9,439	$ 5,927	59 %	$ 1,452	$ 863	68 %
401(k)	2,938	2,632	12 %	1,553	944	65 %
Financial Services						
Savings	1,916	1,321	45 %	1,035	651	59 %
Insurance	1,363	1,143	19 %	875	651	34 %
	$ 15,656	$ 11,023	42 %	$ 4,915	$ 3,109	58 %
Summary						
Guaranteed products	$ 3,350	$ 2,761	21 %			
ASO contracts	7,695	4,425	74 %			
Segregated funds deposits						
– individual products	959	618	55 %			
– group products	3,652	3,219	13 %			
Total premiums and deposits	$ 15,656	$ 11,023	42 %			

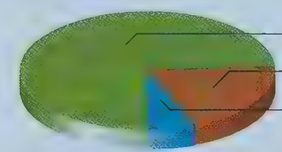
Net Investment Income

Years ended December 31 (in $ millions)

	2000	1999	% Change
Gross investment income	$ **1,479**	$ 1,405	5 %
Investment expenses	**15**	19	-21 %
Net investment income	$ **1,464**	$ 1,386	6 %

Fee Income

Fee income is derived from the management of segregated funds assets and the administration of Group health ASO business. The increase in fee income in 2000 is a combination of General American and Allmerica growth in ASO business and increases in segregated funds fees reflecting increased deposits which offset weakening U.S. equity markets.



1999 figures are shown in brackets

Fee Income

Years ended December 31 (in $ millions)

	2000	1999	% Change
Segregated funds	$ **259**	$ 214	21 %
ASO contracts	**963**	677	42 %
Other	**73**	53	38 %
	$ **1,295**	$ 944	37 %

Paid or Credited to Policyholders

This amount is made up of increases in policy liabilities, claims, surrenders, annuity and maturity payments, dividend and experience refund payments for guaranteed products, but does not include payment amounts for fee-based products (ASO contracts and segregated funds).

For guaranteed products the amount paid or credited to policyholders increased 17% when compared to 1999. The increase is primarily related to an increase in actuarial liabilities of $407 million for public non-profit guaranteed products and individual life insurance policies.

Policyholder dividends credited in 2000 were $181 million compared to $149 million in 1999.

Other

Included in other benefits and expenses are operating expenses, commissions, as well as premium taxes.

Operating expenses for 2000 are higher than 1999 levels by 31% or $280 million. Expenses are $240 million higher for the Employee Benefits segment, due to the acquisition

Other

Years ended December 31 (in $ millions)

	2000	1999	% Change
Total expense	$ **1,199**	$ 923	30 %
Less: investment expenses	**15**	19	-21 %
Operating expenses	**1,184**	904	31 %
Commissions	**304**	259	17 %
Premium taxes	**70**	58	21 %
Total	$ **1,558**	$ 1,221	28 %

Consolidated Balance Sheet

Years ended December 31 (in $ millions)

	2000			1999		
	Shareholders	Participating Policyholders	Total	Shareholders	Participating Policyholders	Total
Assets						
Invested assets	$ **13,814**	$ **7,091**	$ **20,905**	$ 13,359	$ 6,424	$ 19,783
Goodwill	**77**	**–**	**77**	36	–	36
Other assets	**1,367**	**278**	**1,645**	1,137	228	1,365
Total assets	$ **15,258**	$ **7,369**	$ **22,627**	$ 14,532	$ 6,652	$ 21,184
Segregated funds assets			**18,477**			17,998
Total assets under administration			$ **41,104**			$ 39,182
Liabilities, Capital Stock and Surplus						
Policy liabilities	$ **11,857**	$ **6,945**	$ **18,802**	$ 11,386	$ 6,280	$ 17,666
Net deferred gains on portfolio investments sold	**99**	**2**	**101**	92	4	96
Other liabilities	**1,249**	**203**	**1,452**	1,239	160	1,399
Total liabilities	**13,205**	**7,150**	**20,355**	12,717	6,444	19,161
Minority and other interests	**–**	**–**	**–**	–	–	–
Capital stock and surplus	**2,053**	**219**	**2,272**	1,815	208	2,023
Total liabilities, capital stock and surplus	$ **15,258**	$ **7,369**	$ **22,627**	$ 14,532	$ 6,652	$ 21,184

of General American and Allmerica. Financial Services operating expenses increased $29 million reflecting the growth of administrative service customers in FASCorp and Corporate expenses increased $11 million related to the purchase of software.

Commissions include sales compensation related to guaranteed products, as well as segregated funds and administrative services only contracts. The increase of 17% is mostly related to Employee Benefits as General American commissions increased $20 million.

ASSETS

Total assets under administration increased $1.9 billion or 5% in 2000 when compared to the year ended December 31, 1999. Segregated funds assets increased $0.5 billion due to the change in U.S. exchange rates offset by the weakening of the equity markets in the United States in the fourth quarter of 2000. The invested assets of the general fund increased $1.1 billion through a combination of the change in U.S. exchange rates, which resulted in a $0.8 billion increase and growth in guaranteed public non-profit and individual life businesses.

Invested Assets

Both general fund and segregated funds assets are managed or administered by the Investment Division of the Company. Within the Company's conservative investment policies, the Investment Division manages portfolios of assets to produce a steady source of income to support the cash flow and liquidity requirements of the Company's insurance and investment products. The Company invests the majority of its general funds in medium-term and long-term fixed-income securities, primarily bonds, which reflect the nature of the liabilities being matched.

Asset Distribution
December 31 *(in $ millions)*

	2000		1999	
Government bonds	**$ 3,608**	**17 %**	$ 2,870	15 %
Corporate bonds	**11,173**	**54**	10,927	55
Mortgages	**1,265**	**6**	1,407	7
Stocks and real estate	**285**	**1**	228	1
Sub-total portfolio investments	**16,331**		15,432	
Cash & certificates of deposit	**344**	**2**	456	2
Policy loans	**4,230**	**20**	3,895	20
Total invested assets	**$20,905**	**100 %**	$19,783	100 %

The Investment Division reviews its investment strategy on an ongoing basis in light of liability requirements and current economic and market conditions. The Company's investment policies limit concentrations of risk within its investment and lending portfolios, which are well-diversified by asset class, industry sector, location and size of borrowers.

Net investment income for 2000 increased to $1.5 billion, compared to $1.4 billion in 1999. The Company's overall investment portfolio earned a yield of 7.6% in 2000 compared to 7.1% in 1999.

In 2000, funds available for investment and mortgages subject to renewal and rate adjustment totaled $1.9 billion, and were placed as follows:

- 32% in U.S. government and agency bonds,
- 64% in other bonds,
- 4% in mortgage renewals.

The Company's new bond investments included not only publicly-traded securities, but also well-structured private placements which typically offer higher yields and better covenant protection than public bonds. The Company anticipates investment grade bonds will remain the largest component of its 2001 investment program.

Bond Portfolio Quality
(excludes $544 million short-term investments, $324 million in 1999)
December 31 *(in $ millions)*

	2000		1999	
Estimated Rating				
AAA	**$ 7,565**	**53 %**	$ 6,617	49 %
AA	**1,452**	**10**	1,238	9
A	**2,292**	**17**	2,613	20
BBB	**2,739**	**19**	2,981	22
BB or lower	**189**	**1**	24	–
Total	**$14,237**	**100 %**	$ 13,473	100 %

As of December 31, 2000, approximately 93% of the Company's invested assets were cash, bonds, or policy loans. The overall quality of the bond portfolio, the largest single component of the Company's invested assets, continues to be high, with 99% of the portfolio rated investment grade.

Structured securities decreased to 46% of the bond portfolio, while corporate bonds increased to 54% of the bond portfolio. The structured securities category includes both asset-backed and mortgage-backed securities. The Company's strategy, related to these assets, is to focus on those with low volatility and minimal credit risk.

The aggregate amount of non-performing loans at December 31, 2000, remains virtually unchanged at $34 million or 0.2% of portfolio investments, compared with $35 million or 0.2% at the end of 1999. Total allowances for credit losses were $104 million at year-end 2000, compared to $121 million at the end of 1999.

Liquid Assets
December 31 (in $ millions)

	2000		1999	
	Balance Sheet Value	Market Value	Balance Sheet Value	Market Value
Cash & short-term investments	$ 344	$ 344	$ 456	$ 456
Highly marketable securities				
Government bonds	2,430	2,279	2,201	2,142
Corporate bonds	7,260	7,243	6,995	6,723
Common/Preferred shares	104	144	66	79
Total	$ 10,138	$ 10,010	$ 9,718	$ 9,400

The U.S. equity portfolio consists primarily of the Denver home office, minimal other real estate, seed money in some of the Company's segregated funds and a small amount of common stock and private equities. The Company anticipates a limited participation in real estate and the equity markets during 2001.

Cashable Liability Characteristics
December 31 (in $ millions)

	2000	1999
Surrenderable insurance and annuity liabilities		
At market value	$ 6,056	$ 6,122
At book value	6,683	5,953
Total	$ 12,739	$ 12,075

Liquidity

The liquidity needs of the United States operations of the Company are closely managed through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets. Approximately 89% of policy liabilities are non-cashable prior to maturity, subject to market value adjustments or withdrawal penalties.

At December 31, 2000, United States operations did not have any repurchase agreements with third-party broker-dealers, compared with $116 million at December 31, 1999, and had $146 million of outstanding commercial paper at December 31, 2000, compared with none at December 31, 1999.

Additional liquidity is available through established lines of credit and through the demonstrated ability of the Company to access the capital markets.

Segregated Funds

The Company continues to offer a broad selection of mutual and segregated funds. During 2000, such funds administered by the Company grew to $18.5 billion, compared with $18.0 billion at year-end 1999.

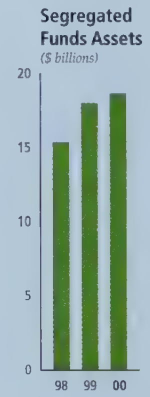
Outlook – Investment

The U.S. economy grew at a real rate of approximately 5% in 2000. The rate of growth, however, slowed noticeably in the second half of the year, and several factors suggest that the slowdown will be sustained. The Federal Reserve Board, after 18 months of restrictive policy, in a surprise move on January 3, 2001, cut the Federal Funds rate by 50 basis points from 6.5% to 6.0%. The rate cut was in response to data releases indicating that the economy was slowing more quickly than anticipated. The magnitude and timing of further rate cuts will be dependent on economic conditions.

The Company's investment portfolio is well positioned for a potential declining rate environment. The portfolio is diversified and is comprised of high quality, stable assets. Asset acquisitions in 2001 will target investment grade bonds appropriate for the expected economic and interest rate environment and liability requirements. It is the Company's philosophy and intent to maintain its proactive portfolio management policies in an ongoing effort to ensure the quality and performance of its investments.

Segregated Funds Assets
December 31 (in $ millions)

	2000	1999	1998	1997	1996
Variable funds	$ 16,394	$ 16,771	$ 14,588	$ 10,545	$ 6,905
Stable asset accounts	2,083	1,227	847	654	538
Total	$ 18,477	$ 17,998	$ 15,435	$ 11,199	$ 7,443
Year over year growth	3 %	17 %	38 %	50 %	–



BUSINESS SEGMENTS – GWL&A

EMPLOYEE BENEFITS

Consolidated Net Income

Years ended December 31 (in $ millions)

	2000	1999
Income:		
Premium income	$ **1,785**	$ 1,542
Net investment income	**136**	123
Fee and other income	**1,117**	817
Total income	**3,038**	2,482
Benefits and Expenses:		
Paid or credited to policyholders	**1,446**	1,235
Other	**1,278**	989
Net operating income before income taxes	**314**	258
Income taxes	**106**	89
Net income before minority and other interests	**208**	169
Minority and other interests		
Participating policyholders	**–**	–
Preferred shareholder dividends	**–**	–
Minority shareholders' interest	**–**	–
	–	–
Net income before goodwill amortization	**208**	169
Amortization of goodwill	**3**	1
Net income	$ **205**	$ 168

Summary of Net Income

	2000	1999
Preferred shareholder dividends	$ **–**	$ –
Net income – common shareholders	**205**	168
Net income	$ **205**	$ 168

Net income for Employee Benefits increased 22% in 2000, reflecting increased fee income from the variable 401(k) assets, and improved morbidity experience which offset unfavorable mortality experience.

Contributing to the improved life and health operating results was $21.7 million of earnings from the 2000 acquisition of the Allmerica and General American business.

The overall results reflect an aggressive re-pricing effort on the self-funded business, as well as a continued focus on the conversion of fully insured cases to higher margined self-funded products on the Alta Health & Life Insurance Company (Alta) line of business. Alta has continued the process of exiting the insured employer health market that is subject to small group reform regulation

Employee Benefits – Divisional Summary

Years ended December 31 (in $ millions)

	Premiums and Deposits			Sales		
	2000	1999	% Change	2000	1999	% Change
Business/Product						
Group life and health – guaranteed	$ **1,744**	$ 1,502	16 %	$ **6**	$ 13	–54 %
– ASO	**7,695**	4,425	74 %	**1,446**	850	70 %
Group life and health fee income	**963**	675	43 %	**–**	–	–
401(k)	**2,938**	2,632	12 %	**1,553**	944	65 %
401(k) fee income	**154**	140	10 %	**–**	–	–
Total	$ **13,494**	$ 9,374	44 %	$ **3,005**	$ 1,807	66 %

and did experience a loss on this business in 2000. This block of business typically has employers with less than 10 employees, and is not consistent with management's self-funding strategy. Larger employers in this market have been offered a conversion to a self-funding product.

401(k) premiums and deposits increased 12% from 1999 as a result of higher recurring deposits from existing customers and sales in 2000.

Group Life and Health

The 2000 premium income for group life and health was $9.4 billion, an increase of 59% from 1999. A large part of this increase was due to the acquisition of the General American and Allmerica blocks of business. Of the $9.4 billion, General American accounted for approximately one-third. The Company experienced net case growth of 107 cases on traditional business, which is primarily the result of a new simplified self-funded product introduced in the second half of 1999. Over 75% of new case sales are the new simplified self-funded product, a favorable reflection of market acceptance. This product delivers a lower cost to the customer and encourages persistency of customers with favorable loss ratios. In addition to the above net case growth, the Company added 703 cases as the result of the Allmerica and General American acquisitions. The Company did experience an increased number of customer terminations compared to 1999 primarily as a result of pricing actions designed to improve profitability and offset higher than expected medical trends.

The Company made two acquisitions in 1999 which increased medical membership and had a positive impact on operations in 2000. On October 6, 1999, GWL&A acquired the group life and health business of Allmerica. Effective March 2000, GWL&A assumed the in-force Allmerica business and converted each case as it renewed to GWL&A administration. In addition, the Company acquired the Allmerica life and health sales organization, which expanded its sales distribution capacity and increased market penetration in cities where GWL&A did not have a sales office.

Effective January 1, 2000, the Company acquired the group life and health business of General American. GWL&A co-insured all the risks associated with the General American block of business in 2000. Effective January 2001, GWL&A assumed the General American business through an assumption reinsurance transaction. This acquisition added 992,000 medical members and $3.0 billion of equivalent premium income. The Company believes expense economies will begin to be recognized in the operations and administration of this unit in 2001.

401(k)

The total number of net 401(k) case sales increased from 326 in 1999 to 528 in 2000. Third-party administration business generated through the Company's marketing and administration arrangement with The New England, decreased 23% to 72 net cases in 2000 from 93 a year ago. The total 401(k) block of business under administration totals 6,975 employer groups and more than 550,000 individual participants, compared to 6,447 employer groups and more than 500,000 individual participants in 1999.

During 2000, the in-force block of 401(k) business had modestly lower terminations, which resulted in persistency of 94%, compared to 93% in 1999. Total assets under administration decreased from $13.0 billion to $12.2 billion. The decrease in assets is primarily attributed to weakening equity markets in the U.S. Net cash flow increased to over $750 million from just over $400 million in 1999.

Participants can elect to contribute funds to either GWL&A's internally managed funds or externally managed funds from recognized mutual fund companies such as AIM, Fidelity, Putnam, American Century, Janus, INVESCO, and Dreyfus. The Company continues to review investment opportunities for participants. The 401(k) products currently offered permit the customer to elect between a product with and without variable asset charges and allow participants to access a self-directed brokerage account.

Currently, 401(k) products are distributed through the Company's internal sales force, as well as through a marketing agreement with New England Financial. In 2000, 401(k) products were distributed through the Alta sales force for the first time.

Risk Analysis and Management – There are risk factors associated with both the Group life and health and 401(k) lines of business.

Health care risks include medical cost inflation, which may exceed annual pricing adjustments to policyholders. In addition, changes in utilization may impact health care costs. These utilization trends can be attributable to adjustments in the health care delivery system, such as the development of new practice standards or breakthrough treatments.

The Company manages some of these risks through product design. One example is the extensive use of self-funded health care plans. In addition, the Company's new simplified funding product, introduced in 1999, encourages persistency of customers. The Company manages utilization through ONE Corp., which is also responsible for negotiating provider contracts. The Company is invest-

ing in enhanced managed care programs and service, and continues to emphasize quality assurance programs.

The Company managed the impact of the variability of 401(k) fee revenue caused by market fluctuations through utilization of a financial hedge. In addition, the Company protects itself from risks associated with early surrenders through contract fees and termination charges.

Outlook – Employee Benefits

The Alta, General American, and Allmerica acquisitions will continue to provide GWL&A the critical mass to compete in the consolidating health care insurance business. Through a combination of internal growth and new business acquisition, the Company has over 3.1 million medical members. In order to remain competitive, a focused effort on provider contracting is essential to ensure strong morbidity results. Furthermore, expense economies and synergies to ensure competitive administrative costs per member per month will be a focus. The successful consolidation of the benefit payment offices will remain an important operational issue from both a cost and quality perspective.

The Company will continue to enhance its One Health Plan managed care subsidiaries. In 2001, the total number of licensed One Health Plan HMOs will be 18 and this will continue to provide current customers with a comprehensive national managed care network. In 2000, the Company implemented an Internet based disease management program for members with diabetes, asthma, or coronary heart disease, which will be expanded in 2001 to include new conditions.

Delivering cost-effective, value-added services via the Internet will continue to be a main focus for the Company. The Company has implemented online enrollment capabilities for 401(k) participants, as well as an online Investment Advisor to provide 401(k) participants with personal investment advice via the Internet. This action, combined with a very competitive product portfolio will make the Company a strong 401(k) competitor, which should result in an increase in new case sales and cross sales. Online enrollment for life and health members was introduced in 2000, and is scheduled for implementation in 2001.

FINANCIAL SERVICES

Total net income for Financial Services increased 25% in 2000, reflecting higher earnings from an increase in investment margins, additional fee income from new third-party administration cases, and improved mortality.

Sales and premium income results are discussed below by major business unit. Overall sales were up 47% over 1999 levels, as single premiums in 2000 were higher than 1999 by $248 million.

A regulated percentage of returns in the participating account is credited to the shareholders' account. In 2000 the amount credited was $11.3 million.

Savings

Premiums and deposits totalled $1.916 billion, which was significantly higher than 1999. Premiums increased from $374 million in 1999 to $735 million in 2000 on the fixed portfolio product and single premium public/non-profit product. Deposits to separate accounts increased from $947 million in 1999 to $1.181 billion in 2000, primarily from an increase in single premium business.

Fee income increased $42 million or 34% in 2000 to $165 million. The growth in fee income was the result of new sales, increased fees on variable funds related to growth in equity markets, and the increase in revenue from FASCorp, an administrative services company.

The Financial Services core savings business is the public/non-profit (P/NP) pension market. The assets of the P/NP business, including separate accounts increased 3.3% during 2000 to $11.9 billion.

Financial Services again experienced an exceptional retention rate on P/NP contract renewals. Part of this customer

Financial Services – Divisional Summary
Years ended December 31 *(in $ millions)*

	Premiums and Deposits			Sales		
	2000	1999	% Change	2000	1999	% Change
Business/Product						
Savings	$ **1,916**	$ 1,321	45 %	$ **1,035**	$ 651	59 %
Savings fee income	**165**	125	32 %	**–**	–	–
Insurance	**1,363**	1,143	19 %	**875**	651	34 %
Insurance fee income	**13**	6	117 %	**–**	–	–
Total	$ **3,457**	$ 2,595	33 %	$ **1,910**	$ 1,302	47 %

Fianancial Services – Consolidated Net Income

Years ended December 31 (in $ millions)

	2000			1999		
	Shareholders	Participating Policyholders	Total	Shareholders	Participating Policyholders	Total
Income:						
Premium income	$ 1,159	$ 406	$ 1,565	$ 818	$ 401	$ 1,219
Net investment income	798	488	1,286	796	429	1,225
Fee and other income	178	–	178	132	(1)	131
Total income	2,135	894	3,029	1,746	829	2,575
Benefits and Expenses:						
Paid or credited to policyholders	1,650	853	2,503	1,344	788	2,132
Other	228	28	256	194	27	221
Net operating income before income taxes	257	13	270	208	14	222
Income taxes	82	9	91	69	(6)	63
Net income before minority and other interests	175	4	179	139	20	159
Minority and other interests						
Participating policyholders	–	4	4	–	20	20
Preferred shareholder dividends	–	–	–	–	–	–
Minority shareholders' interest	–	–	–	–	–	–
	–	4	4	–	20	20
Net income before goodwill amortization	175	–	175	139	–	139
Amortization of goodwill	1	–	1	–	–	–
Net income	$ 174	$ –	$ 174	$ 139	$ –	$ 139
Summary of Net Income						
Preferred shareholder dividends	$ –	$ –	$ –	$ –	$ –	$ –
Net income – common shareholders	174	–	174	139	–	139
Net income	$ 174	$ –	$ 174	$ 139	$ –	$ 139

loyalty comes from initiatives to provide high-quality service while controlling expenses.

The Company continued to limit sales of GICs and to allow this block of business to contract in response to the highly competitive GIC market.

The Company continues to expand the investment products available through its subsidiary mutual fund company, Maxim Series Fund, Inc., and partnership arrangements with external fund managers. Externally-managed funds offered to participants in 2000 included American Century, Ariel, Fidelity, Founders, INVESCO, Janus, Loomis Sayles, Templeton, T. Rowe Price and Vista.

Customer participation in fixed income segregated funds increased as many customers prefer the security of fixed income securities and segregated funds assets. Assets under management for these segregated funds totalled $1.1 billion in 2000, compared to $944 million in 1999.

FASCorp administered records for approximately 1.9 million participants in 2000, compared to 1.6 million in 1999.

The Company continues to develop the relationship with Charles Schwab, Inc. In 2000, Charles Schwab sold $419 million of annuities compared to $320 million in 1999.

Risk Analysis and Management – Fixed margins are protected through the use of specific guaranteed certificates and proper matching of assets and liabilities. Emphasis is placed on retention of major cases and the corresponding maturity of certificates of the case. Expense management programs are constantly monitored to control unit costs in the third-party administration business segment.

Life Insurance

Individual life insurance revenue premiums and deposits of $1.4 billion in 2000 increased 19% from 1999 due to an

increase in Bank-owned life insurance (BOLI) separate account sales of 82% or $243 million. The insurance lines are experiencing the same trend that the savings business has seen over the last few years, as $540 million of BOLI premiums were recorded as segregated funds deposits.

In 1996, the United States Congress enacted legislation to phase out the tax deductibility of interest on policy loans on Corporate-owned life insurance (COLI) products. As a result of these legislative changes, the Company has shifted its emphasis from COLI to new sales in the BOLI market. The Company continues working closely with existing COLI customers to determine the options available to them and is confident that the effect of the legislative changes will not be material to the Company's operations.

The Company continues to develop the marketing of life insurance policies through institutional partners, such as Charles Schwab, Inc., and certain Internet-based brokers. In 2000, these channels sold 4,081 life insurance policies, compared to 3,700 insurance policies in 1999. Separately, bank sales of life policies in 2000 totalled 13,288 policies compared to 5,178 bank policies sold in 1999.

Risk Analysis and Management – The traditional lines of insurance are no longer actively marketed. Various programs have been introduced emphasizing the retention of the business. On new sales in the institutional markets, reinsurance has been arranged for at least 50% of the risk.

In the large case BOLI business, the risk associated with surrenders is protected by the income tax consequences of surrendering the policy and through contract provisions which restrict funds available for withdrawal.

Outlook – Financial Services

Increased emphasis on the need for retirement funds in the maturing government employee market is expected to continue the flow of deposits into the retirement accounts of existing participants. The shortage of employees in the job market has led the government markets to introduce employer-matching plans which should also increase the number of government employees who contribute to retirement plans. Current market trends are to replace the existing defined benefit plans with defined contribution plans and this is expected to provide marketing opportunities in the future. GWL&A has participated in proposals for the few cases that have converted and has had success with its current marketing strategy.

Continued management emphasis on the reduction of unit costs in FASCorp will allow GWL&A to remain competitive in the recordkeeping market. The increase of 300,000 new lives under administration in FASCorp in the year 2000 is indicative of this trend. This is expected to continue in the future.

Individual annuities have experienced substantial growth in the variable market with the Schwab non-qualified annuities. Sales are expected to increase as the Schwab annuity is a very competitively priced product distributed through a well-known and respected broker.

Individual bank policy sales are expected to grow by 100% over the number of policies sold in the year 2000. Distribution channels are presently established in three large banks and management plans to expand into additional banks in 2001. BOLI sales are expected to continue to be strong in the segregated assets market.

CORPORATE

The Corporate segment is mainly used to record the business activities that are not associated with the major business units of United States operations.

The Corporate segment includes investment income, expenses and charges related to capital and other assets not associated with major business units, and prior years' tax adjustments.

Net income for the Corporate segment of United States shareholder operations in 2000 was $7 million, compared to $14 million for 1999, reflecting a decrease in prior years' income tax credits in 2000.

Corporate – Consolidated Net Income
Years ended December 31 (in $ millions)

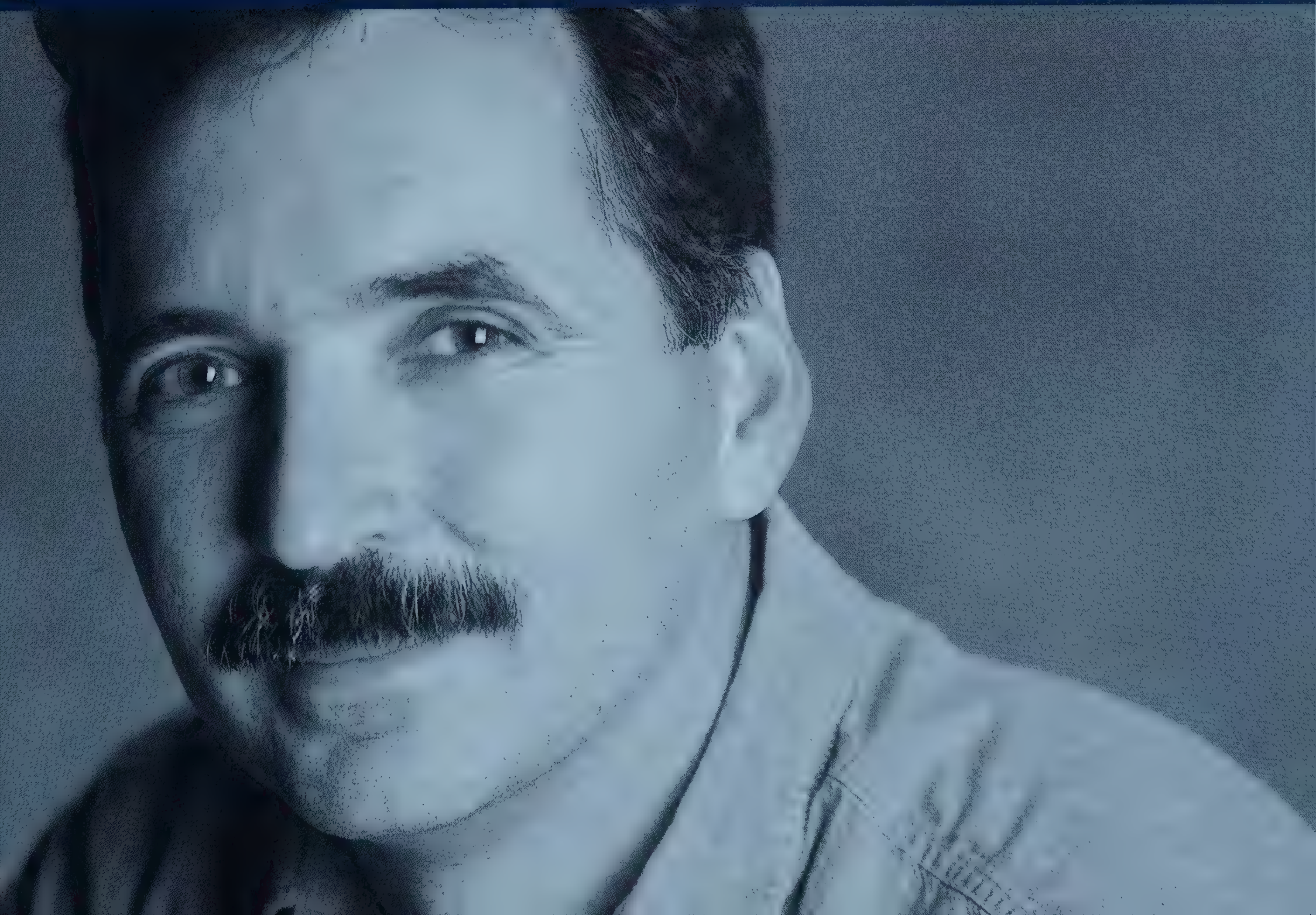
	2000	1999
Income:		
Premium income	$ –	$ –
Net investment income	42	38
Fee and other income	–	(4)
Total income	42	34
Benefits and Expenses:		
Paid or credited to policyholders	2	22
Other	24	11
Net operating income before income taxes	16	1
Income taxes	3	(20)
Net income before minority and other interests	13	21
Minority and other interests		
Participating policyholders	–	–
Preferred shareholder dividends	6	6
Minority shareholders' interest	–	1
	6	7
Net income before goodwill amortization	7	14
Amortization of goodwill	–	–
Net income	$ 7	$ 14

Summary of Net Income

	2000	1999
Preferred shareholder dividends	$ –	$ –
Net income – common shareholders	7	14
Net income	$ 7	$ 14

Lifeco

We are specialized financial services for complex business needs.



MANAGEMENT'S RESPONSIBILITY

The consolidated financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report is consistent with that in the consolidated financial statements. The financial statements necessarily include amounts that are based on management's best estimate due to dependency on subsequent events. These estimates are based on careful judgements and have been properly reflected in the financial statements. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the Company within reasonable limits of materiality.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that the financial information produced is relevant and reliable.

The consolidated financial statements were approved by the Board of Directors, which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit Committee, which consists entirely of Directors not involved in the daily operations of the Company. The function of the Audit Committee is to:

- Review the quarterly and annual financial statements and recommend them for approval to the Board of Directors.
- Review the systems of internal control and security.
- Recommend the appointment of the external auditors and their fee arrangements to the Board of Directors.
- Review other audit, accounting, financial and security matters as required.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Company's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to the external and internal auditors.

The Board of Directors of each of the principal operating subsidiaries, The Great-West Life Assurance Company, and Great-West Life & Annuity Insurance Company, appoints an actuary who is a Fellow of the Canadian Institute of Actuaries. The actuary:

- Ensures that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives.
- Provides an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations of the Company. Examination of supporting data for accuracy and completeness and analysis of Company assets for their ability to support the amount of policy liabilities are important elements of the work required to form this opinion.

Deloitte & Touche LLP Chartered Accountants, as the Company's appointed external auditors, have audited the consolidated financial statements. The Auditors' Report to the Shareholders is presented following the financial statements. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position of the Company in accordance with Canadian generally accepted accounting principles.

William T. McCallum
Co-President and Chief Executive Officer

Raymond L. McFeetors
Co-President and Chief Executive Officer

Mitchell T.G. Graye
Vice-President Finance, United States

William W. Lovatt
Vice-President Finance, Canada

January 31, 2001

SUMMARY OF CONSOLIDATED OPERATIONS

For the years ended December 31
(in millions of dollars except earnings per common share)

	2000	1999
Income		
Premium income	$ **9,976**	$ 8,526
Net investment income	**3,649**	3,580
Fee and other income	**1,641**	1,222
	15,266	13,328
Benefits and Expenses		
Paid or credited to policyholders and beneficiaries including policyholder dividends and experience refunds	**11,374**	9,936
Commissions	**694**	601
Operating expenses	**1,816**	1,550
Premium taxes	**129**	123
Net operating income before income taxes	**1,253**	1,118
Income taxes – current	**540**	378
– future	**(89)**	(12)
Net income before minority and other interests	**802**	752
Minority and other interests		
Participating policyholders	**27**	83
Preferred shareholder dividends	**33**	34
Minority shareholders' interest	**3**	6
	63	123
Net income before amortization of goodwill	**739**	629
Amortization of goodwill	**65**	60
Net income	$ **674**	$ 569
Earnings per common share	$ **1.72**	$ 1.43

SUMMARY OF NET INCOME

	2000	1999
Preferred shareholder dividends	$ **31**	$ 33
Net income – common shareholders	**643**	536
Net income	$ **674**	$ 569

Consolidated Balance Sheet

December 31
(in millions of dollars)

	2000	1999
Assets		
Bonds *(note 3)*	$ **30,326**	$ 30,397
Mortgage loans *(note 3)*	**8,787**	8,942
Stocks *(note 3)*	**1,133**	809
Real estate *(note 3)*	**1,212**	1,106
Loans to policyholders	**5,583**	5,162
Cash and certificates of deposit	**740**	746
Funds withheld by ceding insurers	**3,555**	2,426
Premiums in course of collection	**606**	425
Interest due and accrued	**558**	553
Future income taxes *(note 12)*	**275**	159
Goodwill	**1,679**	1,694
Other assets	**1,300**	1,093
Total assets	$ **55,754**	$ 53,512

Approved by the Board:

W. McCallum
Director

R. McFeetors
Director

	2000	1999
Liabilities		
Policy liabilities		
Actuarial liabilities *(note 5)*	$ 41,567	$ 40,036
Provision for claims	747	735
Provision for policyholders' dividends	335	328
Provision for experience rating refunds	661	421
Policyholders' funds	1,789	1,913
	45,099	43,433
Commercial paper and other loans *(note 6)*	1,032	690
Current income taxes	433	317
Other liabilities	1,982	1,849
Repurchase agreements	–	116
Net deferred gains on portfolio investments sold *(note 3)*	1,095	1,189
	49,641	47,594
Minority and other interests *(note 7)*	1,931	2,129
Capital Stock and Surplus		
Capital stock *(note 8)*	2,086	2,091
Surplus	1,868	1,553
Provision for unrealized gain on translation of net investment in foreign operations	228	145
	4,182	3,789
Liabilities, capital stock and surplus	$ 55,754	$ 53,512

Consolidated Statement of Surplus

For the years ended December 31
(in millions of dollars)

	2000	1999
Balance, beginning of year		
As previously reported	**$ 1,553**	$ 1,250
Change in accounting policy *(note 10)*	**(44)**	–
As restated	**1,509**	1,250
Net income	**674**	569
Share consolidation in subsidiary *(note 7)*	**–**	(13)
Share issue expenses	**–**	(4)
Acquisition discount – preferred shares of subsidiary	**18**	–
Common share cancellation excess *(note 8)*	**(59)**	(18)
Dividends to shareholders		
Preferred shareholders	**(31)**	(33)
Common shareholders	**(243)**	(198)
Balance, end of year	**$ 1,868**	$ 1,553

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31
(in millions of dollars)

	2000	1999
Operations		
Net income	$ **674**	$ 569
Adjustments for non-cash items:		
Change in policy liabilities	**969**	(192)
Change in funds withheld by ceding insurers	**(1,129)**	(252)
Change in current income taxes payable	**115**	168
Future income tax expense	**(89)**	(12)
Amortization of goodwill	**65**	60
Other	**(525)**	(354)
Cash flows from operations	**80**	(13)
Financing Activities		
Issue of common shares	**6**	5
Issue of preferred shares	**–**	200
Redemption of preferred shares	**–**	(200)
Purchased and cancelled common shares	**(70)**	(21)
Issue of debentures	**200**	–
Repayment of senior debentures in subsidiary	**(100)**	–
Issue of subordinated capital income securities	**–**	252
Issue (repayment) of commercial paper and other loans	**231**	(163)
Share issue expenses	**–**	(4)
Share consolidation	**–**	(18)
Dividends paid	**(274)**	(231)
	(7)	(180)
Investment Activities		
Bond sales and maturities	**16,240**	18,595
Mortgage loan repayments	**1,734**	2,252
Stock sales	**528**	147
Real estate sales	**28**	30
Change in loans to policyholders	**(267)**	201
Change in repurchase agreements	**(119)**	(243)
Investment in subsidiaries	**(206)**	(39)
Investment in bonds	**(15,545)**	(19,282)
Investment in mortgage loans	**(1,550)**	(1,312)
Investment in stocks	**(805)**	(92)
Investment in real estate	**(117)**	(77)
	(79)	180
Decrease in cash and certificates of deposit	**(6)**	(13)
Cash and certificates of deposit, beginning of year	**746**	759
Cash and certificates of deposit, end of year	$ **740**	$ 746

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

($ amounts in millions of dollars unless otherwise noted)

1. BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements of Great-West Lifeco Inc. (Lifeco) have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of its subsidiary companies, The Great-West Life Assurance Company (Great-West) and Great-West Life & Annuity Insurance Company (GWL&A). The significant accounting policies are as follows:

(a) Portfolio Investments

Investments in bonds and mortgage loans (debt securities) are carried at amortized cost net of any allowance for credit losses. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield. Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized over the period to maturity of the security sold.

Investments in stocks (equity securities) are carried at cost plus a moving average market value adjustment of $38 million ($13 million in 1999). The carrying value is adjusted towards market value at a rate of 15% per annum. Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized to income at 15% per annum on a declining balance basis. Market values for public stocks are generally determined by the closing sale price of the security on the exchange where it is principally traded. Market values for stocks for which there is no active market are determined by management.

Investments in real estate are carried at cost net of write-downs and allowances for loss, plus a moving average market value adjustment of $54 million ($39 million in 1999). The carrying value is adjusted towards market value at a rate of 10% per annum. Net realized gains and losses are included in Net Deferred Gains on Portfolio Investments Sold and are deferred and amortized to income at 10% per annum on a declining balance basis. Market values for all properties are determined annually by management based on a combination of the most recent independent appraisal and current market data available. Appraisals of all properties are conducted at least once every three years by independent qualified appraisers.

(b) Derivative Financial Instruments

The Company uses derivative products as risk management instruments to hedge or manage asset and liability positions including revenues within guidelines which prohibit their use for speculative trading purposes.

The accounting policies for derivative financial instruments used for hedging correspond to those used for the underlying hedged position.

(c) Foreign Currency Translation

The Company follows the current rate method of foreign currency translation for its net investment in its self-sustaining foreign operations. Under this method, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all income and expense items are translated at an average of daily rates. United States assets and liabilities have been translated into Canadian dollars at the December 31, 2000 market rate of $1.5000 ($1.4433 in 1999) and all United States income and expense items have been translated at an average rate of $1.4853 ($1.4856 in 1999). The provision for unrealized gain of $228 million ($145 million in 1999) on foreign currency translation of the Company's net investment in its foreign operations is recorded separately on the Consolidated Balance Sheet.

The Company has entered into certain daily average rate forward exchange contracts to manage volatility associated with the translation of its United States operations into Canadian dollars. Net realized foreign exchange gains and losses are included in investment income.

(d) Loans to Policyholders

Loans to policyholders are shown at their unpaid balance, are fully secured by the cash surrender values of the policies and have effective interest rates ranging from 5% to 9% (1999 - 5% to 8%).

(e) Funds Withheld by Ceding Insurers

Under certain forms of reinsurance contracts, it is customary for the ceding insurer to retain possession of the assets supporting the liabilities ceded. The Company records an amount receivable from the ceding insurer representing the premium due. Investment revenue on these funds withheld is credited to the Company by the ceding insurer.

(f) Goodwill

Goodwill represents the excess of purchase consideration over the fair value of net assets of acquired subsidiaries of the Company. Goodwill is amortized on a straight-line basis over its useful life but not exceeding periods of 30 years. The Company evaluates the carrying amount of goodwill by reviewing returns and projections of future cash flows of the related businesses. Goodwill is written down when impaired and the amortization periods are revised if it is estimated that the remaining period of benefit has changed.

(g) Income Taxes

Income taxes are accounted for in accordance with Canadian Institute of Chartered Accountants (CICA) Handbook Section 3465. Current income taxes are based on taxable income and future income taxes are based on taxable temporary differences. The income tax rates used to measure income tax assets and liabilities are those rates enacted or substantially enacted at the balance sheet date.

(h) Repurchase Agreements

The Company enters into repurchase agreements with third-party broker-dealers in which the Company sells securities and agrees to repurchase substantially similar securities at a specified date and price. Such agreements are accounted for as investment financings.

(i) Pension Plans and Other Post-Retirement Benefits

The Company maintains contributory and non-contributory defined benefit pension plans for certain of its employees and agents. The plans provide pensions based on length of service and final average earnings. The cost of the defined benefits is actuarially determined and accrued using the projected benefit method pro-rated on service. The current cost of pension benefits is charged to earnings. Adjustments arising from plan amendments or experience gains or losses are amortized over the expected average remaining service life of the employee/agent group. Experience gains and losses are calculated on assets of the plans valued using an adjusted market value method under which realized and unrealized capital gains and losses are spread on a straight-line basis over three years. Plan assets are carried at market values and are held in separate trusteed pension funds.

The Company also provides post-retirement health and life insurance benefits to eligible employees, agents and their dependants. In prior years the cost of providing these benefits was charged to earnings as incurred. During 2000, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3461 Employee Future Benefits which resulted in the recognition on an accrual basis of the cost of all post-retirement benefits other than pensions over the periods of employee service. The cost of the defined benefits is actuarially determined and accrued using the projected benefit method pro-rated on service. The current cost of post-retirement health and life insurance benefits is charged to earnings.

(j) Stock Based Compensation

The Company provides compensation to certain employees of the Company and its affiliates in the form of stock options which are described in note 9. No compensation expense is recognized when stock options are issued to employees. When options are exercised, proceeds received by the Company are credited to common share capital.

(k) Earnings Per Common Share

Earnings per common share is calculated using net income after preferred share dividends and the weighted daily average number of common shares outstanding of 373,548,871 (373,890,983 in 1999).

(l) Geographic Segmentation

The Company has significant operations in Canada and the United States. Operations in other countries are reported with the Canadian operations.

(m) Comparative Figures

Certain of the 1999 amounts presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year.

2. CORPORATE REORGANIZATION

On December 31, 2000, Great-West's indirect 100% ownership interest in its United States operating subsidiary, Great-West Life & Annuity Insurance Company (GWL&A), was transferred to a newly formed subsidiary of Lifeco. As a result of this corporate reorganization, GWL&A is no longer owned by Great-West, or a subsidiary of Great-West. The transfer of assets, liabilities and surplus was recorded at book value. The details of the transfer are as follows:

	Great-West Total Prior to Transfer	Dec 31, 2000 Transferred Values	Great-West Dec 31, 2000 Continuing Operations
Assets			
Bonds	$ 30,363	$ 14,587	$ 15,776
Mortgage loans	8,787	1,265	7,522
Stocks	1,133	112	1,021
Real estate	1,202	160	1,042
Loans to policyholders	5,583	4,215	1,368
Cash and certificates of deposit	680	328	352
Funds withheld by ceding insurers	3,555	–	3,555
Premiums in course of collection	606	225	381
Interest due and accrued	556	209	347
Future income taxes	274	271	3
Goodwill	1,653	78	1,575
Other assets	1,300	934	366
General funds assets	$ 55,692	$ 22,384	$ 33,308
Liabilities			
Policy liabilities	$ 45,101	$ 18,604	$ 26,497
Commercial paper and other loans	932	409	523
Current income taxes	432	14	418
Other liabilities	2,019	1,067	952
Net deferred gains on portfolio investments sold	1,085	75	1,010
	49,569	20,169	29,400
Minority Shareholders' Interest	460	–	460
Surplus			
Participating policyholders' surplus	1,418	193	1,225
Capital stock and shareholders' surplus	3,991	1,773	2,218
Provision for unrealized gain on translation of net investment in foreign operations			
Participating policyholders	26	26	–
Shareholders	228	223	5
	5,663	2,215	3,448
General funds liabilities, policyholders' and shareholders' equity	$ 55,692	$ 22,384	$ 33,308

As part of the reorganization, the Company provided certain commitments with respect to, among other things, maintaining regulatory capital levels of its two major subsidiaries, Great-West and GWL&A.

3. PORTFOLIO INVESTMENTS

(a) Carrying values and estimated market values of portfolio investments are as follows:

		2000			
		Balance Sheet Value			Market Value
		Canada	United States	Total	Total
Bonds	- government	$ 5,741	$ 3,608	$ 9,349	$ 9,501
	- corporate	9,804	11,173	20,977	20,979
		15,545	14,781	30,326	30,480
Mortgage loans	- residential single family	2,928	–	2,928	2,907
	- residential apartments	1,929	196	2,125	2,226
	- retail and shopping centres	1,009	430	1,439	1,499
	- office buildings	818	392	1,210	1,316
	- industrial	722	105	827	861
	- other	116	142	258	303
		7,522	1,265	8,787	9,112
Stocks	- public	788	74	862	975
	- private	232	39	271	288
		1,020	113	1,133	1,263
Real estate		1,040	172	1,212	1,423
		$ 25,127	$ 16,331	$ 41,458	$ 42,278

		1999			
		Balance Sheet Value			Market Value
		Canada	United States	Total	Total
Bonds	- government	$ 7,624	$ 2,870	$ 10,494	$ 10,138
	- corporate	8,976	10,927	19,903	19,455
		16,600	13,797	30,397	29,593
Mortgage loans	- residential single family	2,971	–	2,971	2,909
	- residential apartments	1,679	227	1,906	1,942
	- retail and shopping centres	1,096	453	1,549	1,596
	- office buildings	883	424	1,307	1,331
	- industrial	806	129	935	952
	- other	100	174	274	329
		7,535	1,407	8,942	9,059
Stocks	- public	361	44	405	492
	- private	379	25	404	396
		740	69	809	888
Real estate		947	159	1,106	1,271
		$ 25,822	$ 15,432	$ 41,254	$ 40,811

3. **PORTFOLIO INVESTMENTS** *(cont'd)*

(b) The significant terms and conditions and interest rate ranges of applicable fixed-term portfolio investments gross of provisions are as follows:

2000

	Carrying Value – Term to Maturity: 1 Year or Less	1-5 Years	Over 5 Years	Total	Principal Amount	Effective Interest Rate Ranges
Short-term bonds	$ 1,236	$ –	$ –	$ 1,236	$ 1,235	5.2%-6.8%
Bonds	1,603	8,696	18,818	29,117	31,974	1.5%-14.5%
Mortgage loans	2,026	3,671	3,209	8,906	8,968	4.0%-14.5%
	$ 4,865	$ 12,367	$ 22,027	$ 39,259	$ 42,177	
Geographic						
Canada	$ 3,218	$ 7,956	$ 11,936	$ 23,110	$ 25,246	3.0%-14.5%
United States	1,647	4,411	10,091	16,149	16,931	1.5%-13.1%
	$ 4,865	$ 12,367	$ 22,027	$ 39,259	$ 42,177	

1999

	Carrying Value – Term to Maturity: 1 Year or Less	1-5 Years	Over 5 Years	Total	Principal Amount	Effective Interest Rate Ranges
Short-term bonds	$ 1,026	$ –	$ –	$ 1,026	$ 1,026	3.6%-6.5%
Bonds	1,856	8,579	18,958	29,393	31,437	2.7%-15.0%
Mortgage loans	1,747	4,368	2,983	9,098	9,104	4.0%-13.8%
	$ 4,629	$ 12,947	$ 21,941	$ 39,517	$ 41,567	
Geographic						
Canada	$ 3,154	$ 8,823	$ 12,215	$ 24,192	$ 25,838	2.7%-15.0%
United States	1,475	4,124	9,726	15,325	15,729	3.6%-14.1%
	$ 4,629	$ 12,947	$ 21,941	$ 39,517	$ 41,567	

(c) Included in portfolio investments are the following:

(i) Non-performing loans:

	2000	1999
Asset Class		
Bonds	$ 36	$ –
Mortgage loans	29	79
Foreclosed real estate	7	17
	$ 72	$ 96
Geographic		
Canada	$ 38	$ 61
United States	34	35
	$ 72	$ 96

Non-performing loans include non-accrual loans and foreclosed real estate held for sale. Bond and mortgage investments are reviewed on a loan-by-loan basis to determine non-performing status. Loans are classified as non-accrual when:

(1) payments are 90 days or more in arrears, except in those cases where, in the opinion of management, there is justification to continue to accrue interest; or

(2) the Company no longer has reasonable assurance of timely collection of the full amount of the principal and interest due; or

(3) modified/restructured loans are not performing in accordance with the contract.

Where appropriate, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Wherever possible the fair value of collateral underlying the loans or observable market price is used to establish net realizable value.

(ii) Allowance for credit losses:

	2000	1999
Asset Class		
Bonds	$ 28	$ 21
Mortgage loans	119	156
Foreclosed real estate	–	1
	$ 147	$ 178
Geographic		
Canada	$ 43	$ 57
United States	104	121
	$ 147	$ 178

(iii) Changes in the allowance for credit losses are as follows:

	2000	1999
Balance – beginning of year	$ 178	$ 203
Provision for credit losses – normal	(16)	(11)
– cyclical	–	(6)
Recoveries of prior write-offs	10	9
Write-offs	(63)	(9)
Other – including foreign exchange rate changes	38	(8)
Balance – end of year	$ 147	$ 178

The allowance for credit losses includes general provisions, established at a level that together with the provision for future credit losses included in actuarial liabilities, reflects the Company's estimate of potential future credit losses.

(d) Investments in real estate include an asset value allowance which provides for deterioration of market values associated with real estate held for investment.

	2000	1999
Canada	$ 31	$ 34
United States	–	–
	$ 31	$ 34

3. PORTFOLIO INVESTMENTS *(cont'd)*

(e) Also included in portfolio investments are modified/restructured loans that are performing in accordance with their current terms.

	2000	1999
Canada	$ 77	$ 103
United States	221	230
	$ 298	$ 333

(f) Net investment income of $3,649 million ($3,580 million in 1999) includes amortization of net deferred realized gains (losses) on portfolio investments and unrealized gains (losses) on stocks and real estate as follows:

	2000		
	Canada	United States	Total
Bonds	$ 84	$ 18	$ 102
Mortgage loans	14	2	16
Stocks	94	15	109
Real estate	18	(1)	17
	$ 210	$ 34	$ 244

	1999		
	Canada	United States	Total
Bonds	$ 106	$ 22	$ 128
Mortgage loans	15	1	16
Stocks	76	4	80
Real estate	10	–	10
	$ 207	$ 27	$ 234

(g) The balance of net deferred gains (losses) on portfolio investments sold is comprised of the following:

	2000		
	Canada	United States	Total
Bonds	$ 517	$ 43	$ 560
Mortgage loans	44	3	47
Stocks	418	55	473
Real estate	15	–	15
	$ 994	$ 101	$ 1,095

	1999		
	Canada	United States	Total
Bonds	$ 622	$ 83	$ 705
Mortgage loans	46	1	47
Stocks	413	12	425
Real estate	12	–	12
	$ 1,093	$ 96	$ 1,189

4. PLEDGING OF ASSETS

The amount of assets which have a security interest by way of pledging are outlined below by major pledging activity:

	2000		
	Canada	United States	Total
Derivative transactions	$ –	$ 4	$ 4
In respect of real estate	127	–	127
In respect of reinsurance agreements	38	–	38
	$ 165	$ 4	$ 169

	1999		
	Canada	United States	Total
Derivative transactions	$ –	$ 4	$ 4
In respect of real estate	120	–	120
In respect of reinsurance agreements	123	–	123
	$ 243	$ 4	$ 247

5. ACTUARIAL LIABILITIES

(a) Composition of Actuarial Liabilities and Related Supporting Assets

(i) The composition of actuarial liabilities is as follows:

	2000				
	Participating Policyholders		Non-Participating Policyholders		
	Canada	United States	Canada	United States	Total
Group Insurance	$ –	$ –	$ 2,633	$ –	$ 2,633
Individual Insurance & Investment	9,605	–	6,457	–	16,062
Reinsurance	–	–	4,911	–	4,911
Property & Casualty	–	–	18	–	18
Employee Benefits	–	–	–	823	823
Financial Services	–	6,824	–	10,296	17,120
Total	$ 9,605	$ 6,824	$ 14,019	$ 11,119	$ 41,567

	1999				
	Participating Policyholders		Non-Participating Policyholders		
	Canada	United States	Canada	United States	Total
Group Insurance	$ –	$ –	$ 2,575	$ –	$ 2,575
Individual Insurance & Investment	8,892	–	7,329	–	16,221
Reinsurance	–	–	4,405	–	4,405
Property & Casualty	–	–	12	–	12
Employee Benefits	–	–	–	726	726
Financial Services	–	6,167	–	9,930	16,097
Total	$ 8,892	$ 6,167	$ 14,321	$ 10,656	$ 40,036

5. ACTUARIAL LIABILITIES *(cont'd)*

(ii) The composition of the assets supporting liabilities and surplus is as follows:

December 31, 2000

	Canada					
	Bonds	Mortgage Loans	Stocks	Real Estate	Other	Total
Balance Sheet Value						
Participating						
Individual Insurance & Investment	$ 4,934	$ 2,650	$ 74	$ 2	$ 1,945	$ 9,605
Non-Participating						
Group Insurance	1,383	871	73	2	304	2,633
Individual Insurance & Investment	3,345	2,680	230	20	182	6,457
Reinsurance	1,526	–	71	–	3,314	4,911
Property & Casualty	18	–	–	–	–	18
Other	3,861	1,297	361	838	1,017	7,374
Capital and surplus	478	24	211	178	1,238	2,129
Total Balance Sheet Value	$ 15,545	$ 7,522	$ 1,020	$ 1,040	$ 8,000	$ 33,127
Fair Value	$ 15,638	$ 7,827	$ 1,119	$ 1,236	$ 8,000	$ 33,820

December 31, 2000

	United States					
	Bonds	Mortgage Loans	Stocks	Real Estate	Other	Total
Balance Sheet Value						
Participating						
Financial Services	$ 2,753	$ 128	$ –	$ –	$ 3,943	$ 6,824
Non-Participating						
Employee Benefits	756	65	–	–	2	823
Financial Services	8,547	942	–	–	807	10,296
Other	1,050	13	11	16	1,541	2,631
Capital and surplus	1,675	117	102	156	3	2,053
Total Balance Sheet Value	$ 14,781	$ 1,265	$ 113	$ 172	$ 6,296	$ 22,627
Fair Value	$ 14,842	$ 1,285	$ 144	$ 187	$ 6,296	$ 22,754

December 31, 1999

	Canada					
	Bonds	Mortgage Loans	Stocks	Real Estate	Other	Total
Balance Sheet Value						
Participating						
Individual Insurance & Investment	$ 4,736	$ 2,278	$ 59	$ 2	$ 1,817	$ 8,892
Non-Participating						
Group Insurance	1,470	747	41	1	316	2,575
Individual Insurance & Investment	3,597	3,258	208	22	244	7,329
Reinsurance	1,853	–	54	–	2,498	4,405
Property & Casualty	12	–	–	–	–	12
Other	4,270	1,253	258	760	600	7,141
Capital and surplus	662	(1)	120	162	1,031	1,974
Total Balance Sheet Value	$ 16,600	$ 7,535	$ 740	$ 947	$ 6,506	$ 32,328
Fair Value	$ 16,146	$ 7,660	$ 809	$ 1,103	$ 6,506	$ 32,224

December 31, 1999

	United States					
	Bonds	Mortgage Loans	Stocks	Real Estate	Other	Total
Balance Sheet Value						
Participating						
Financial Services	$ 2,537	$ 132	$ –	$ –	$ 3,498	$ 6,167
Non-Participating						
Employee Benefits	643	79	–	–	4	726
Financial Services	8,013	1,089	–	–	828	9,930
Other	1,099	11	7	16	1,413	2,546
Capital and surplus	1,505	96	62	143	9	1,815
Total Balance Sheet Value	$ 13,797	$ 1,407	$ 69	$ 159	$ 5,752	$ 21,184
Fair Value	$ 13,447	$ 1,399	$ 79	$ 168	$ 5,752	$ 20,845

Cash flows of assets supporting actuarial liabilities are matched within reasonable limits. Changes in the fair values of assets are essentially offset by changes in the fair value of actuarial liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus when realized.

The carrying value of assets backing actuarial liabilities plus the portion of deferred gains associated with actuarial liabilities is $42,156 million ($40,628 million in 1999). The fair value of these assets is $42,574 million ($40,050 million in 1999).

(b) Nature of Actuarial Liabilities

Actuarial liabilities represent the amounts which, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends and expenses on policies in force. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. In accordance with these accepted practices, annuity liabilities and London Life's group life and health claim liabilities have been established using cash flow valuation techniques. All other actuarial liabilities have been determined using the policy premium method.

(c) Changes in Actuarial Liabilities

The change in actuarial liabilities is as follows:

	Canada					
	Participating Policyholders		Non-Participating Policyholders		Total	
	2000	1999	2000	1999	2000	1999
Balance – beginning of year	$ **8,892**	$ 8,245	$ **14,321**	$ 14,953	$ **23,213**	$ 23,198
Reclassification	**–**	–	**3**	111	**3**	111
Normal change – new business	**9**	6	**1,166**	734	**1,175**	740
– in force	**606**	547	**(1,554)**	(1,302)	**(948)**	(755)
Material assumption changes	**98**	94	**(45)**	–	**53**	94
Foreign exchange rate changes	**–**	–	**128**	(175)	**128**	(175)
Acquisitions	**–**	–	**–**	–	**–**	–
Balance – end of year	$ **9,605**	$ 8,892	$ **14,019**	$ 14,321	$ **23,624**	$ 23,213

5. ACTUARIAL LIABILITIES *(cont'd)*

	United States					
	Participating Policyholders		Non-Participating Policyholders		Total	
	2000	1999	2000	1999	2000	1999
Balance – beginning of year	**$ 6,167**	$ 6,225	**$ 10,656**	$ 11,705	**$ 16,823**	$ 17,930
Normal change – new business	**–**	1	**444**	415	**444**	416
– in force	**410**	303	**(531)**	(802)	**(121)**	(499)
Foreign exchange rate changes	**247**	(362)	**419**	(662)	**666**	(1,024)
Acquisitions	**–**	–	**131**	–	**131**	–
Balance – end of year	**$ 6,824**	$ 6,167	**$ 11,119**	$ 10,656	**$ 17,943**	$ 16,823

In 2000 assumption changes were made to provide for future participating policyholder obligations and excess interest rate and claim risk provisions were released for non-participating policyholders.

In 1999 assumption changes were made to provide for future participating policyholder obligations.

The reclassification in 1999 consists primarily of a transfer of provisions for adverse deviations from experience refunds to actuarial liabilities.

(d) Actuarial Assumptions

In the computation of actuarial liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses and rates of policy termination. The valuation assumptions use best estimates of future experience together with a margin for misestimation and experience deterioration. These margins have been set in accordance with guidelines established by the Canadian Institute of Actuaries and are necessary to provide reasonable assurance that actuarial liabilities are adequate to cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

The methods for arriving at these valuation assumptions are outlined below:

Mortality – A life insurance mortality study is carried out annually, by country, for Canada and the United States. The results of this study are analyzed and used to update the Company's experience valuation mortality tables for life insurance. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality rate. Although mortality improvements have been observed for many years, no improvements have been assumed for life insurance valuation.

Annuitant mortality is also studied regularly and the results used to modify established industry experience annuitant mortality tables. Mortality improvement has been projected to occur throughout future years for annuitants.

Morbidity – The Company uses industry developed experience tables modified to reflect emerging company experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation.

Investment returns – The assets which correspond to the different liability categories are segmented. From each segment, current returns together with reinvestment assumptions are used to derive interest rates to value future events. These interest rates are reduced to provide for projected asset default losses and reinvestment risk. For the cash flow valuation technique, actual asset and liability future cash flows are used in determining the policy liability amounts.

Expenses – Unit expense studies are updated regularly to determine an appropriate estimate of future cost for the liability type being valued. Expense improvements are not projected. An inflation assumption consistent with the investment return is incorporated in the estimate of future cost.

Policy termination – Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where the Company has no experience with specific types of policies or its exposure is limited. The Company has reflected the emerging trend of lower lapsation on lapse supported benefits in its policy liabilities.

Policyholder dividends

Policyholder dividends are included in future policy benefits at the current scale of policyholder dividends. The Actuary has assumed that policyholder dividends will be changed from the current scale to reflect any differing operating experience of the participating account in future years.

(e) Risk Management

(i) Interest rate risk

Interest rate risk is managed by effectively matching portfolio investments with liability characteristics. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. The valuation interest rate assumes a declining investment yield in order to incorporate reinvestment risk in the actuarial valuation.

(ii) Credit risk

Credit risk is managed through an emphasis on quality in the investment portfolio and by maintenance of issuer, industry and geographic diversification standards.

Projected investment returns are reduced to provide for future credit losses on currently held assets. The net effective yield rate reduction averaged .18% in Canada and .11% in the United States.

The following outlines the future asset credit losses provided for in actuarial liabilities. These amounts are in addition to the allowance for asset losses included with assets:

	Participating Policyholders		Non-Participating Policyholders		
	Canada	United States	Canada	United States	Total
December 31, 2000	**$ 232**	**$ 10**	**$ 95**	**$ 41**	**$ 378**
December 31, 1999	$ 164	$ 12	$ 104	$ 48	$ 328

(iii) Reinsurance risk

Large amount claim risk for life and health insurance and property and casualty insurance is controlled by having reinsurance in place for claims over specified maximum benefit amounts (which vary by line of business) and by having consolidated catastrophic accident coverage in place covering up to $200 million of claims from a single event.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

As a result of reinsurance, actuarial liabilities have been reduced by the following amounts:

	Participating Policyholders		Non-Participating Policyholders		
	Canada	United States	Canada	United States	Total
December 31, 2000	**$ 9**	**$ 28**	**$ 504**	**$ 222**	**$ 763**
December 31, 1999	$ 8	$ 25	$ 452	$ 193	$ 678

(iv) Foreign exchange risk

If the assets backing actuarial liabilities are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases.

Foreign exchange risk is managed whenever possible by matching assets with related liabilities by currency and through the use of derivative instruments such as forward contracts and cross-currency swaps. These financial instruments allow the Company to modify an asset position to more closely match actual or committed liability currency.

5. ACTUARIAL LIABILITIES *(cont'd)*

(v) Liquidity risk

Liquidity risk is the risk that the Company will have difficulty raising funds to meet commitments. The liquidity needs of the Company are closely managed through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets. Approximately 55% of policy liabilities in Canada and 60% of policy liabilities in the United States are non-cashable prior to maturity or subject to market value adjustments.

(f) Sensitivity of Actuarial Assumptions

The actuarial assumption most susceptible to change in the short term is future investment returns. Based on the projected cash flows of the non-participating business of the Company as of December 31, 2000, the approximate after tax impact of an immediate 1% increase in the general level of interest rates applied to actuarial liabilities and associated assets would be to increase the fair value of surplus by $14 million. The impact of an immediate 1% decrease would be to decrease the fair value of surplus by $27 million.

6. COMMERCIAL PAPER AND OTHER LOANS

(a) Commercial paper and other loans consist of the following:

	2000			
	Balance Sheet Value			Fair Value Total
	Canada	United States	Total	
Short-Term				
Commercial paper and other short-term borrowings with interest rates from 5.8% to 7.5%	$ 163	$ 146	$ 309	$ 309
Revolving credit in respect of reinsurance business with interest rates from 6.2% to 7.3% maturing within one year	77	–	77	77
Total short-term	240	146	386	386
Long-Term				
Operating:				
First mortgages secured by real estate and limited recourse mortgages at interest rates from 6.4% to 11.4% maturing at various dates to 2014	158	–	158	166
Other notes payable at interest rates from 4.3% to 9.0%	25	–	25	25
Sub total	183	–	183	191
Capital:				
6.75% Debentures due August 10, 2015 unsecured	200	–	200	205
7.25% Subordinated capital income securities redeemable by the Company on or after June 30, 2004, due June 30, 2048, unsecured (U.S. $175)	–	263	263	243
Sub total	200	263	463	448
Total long-term	383	263	646	639
Total	$ 623	$ 409	$ 1,032	$ 1,025
Interest expense on long-term loans	$ 28	$ 19	$ 47	

	1999			
	Balance Sheet Value			Fair Value Total
	Canada	United States	Total	
Short-Term				
Commercial paper and other short-term borrowings with interest rates from 4.6% to 5.3%	$ 100	$ –	$ 100	$ 100
Revolving credit in respect of reinsurance business with interest rates from 5.1% to 6.1% maturing within one year	47	–	47	47
Total short-term	147	–	147	147
Long-Term				
Operating:				
First mortgages secured by real estate and limited recourse mortgages at interest rates from 6.4% to 11.4% maturing at various dates to 2014	155	–	155	163
Other notes payable at interest rates from 4.3% to 9.0%	36	–	36	37
Sub total	191	–	191	200
Capital:				
9.375% Senior debentures due January 8, 2002, unsecured	100	–	100	105
7.25% Subordinated capital income securities redeemable by the Company on or after June 30, 2004, due June 30, 2048, unsecured (U.S. $175)	–	252	252	198
Sub total	100	252	352	303
Total long-term	291	252	543	503
Total	$ 438	$ 252	$ 690	$ 650
Interest expense on long-term loans	$ 27	$ 13	$ 40	

(b) Principal Repayments of Long-Term Loans

	Operating	Capital	Total
2001	$ 3	$ –	$ 3
2002	44	–	44
2003	59	–	59
2004	27	–	27
2005	16	–	16
2006 and thereafter	34	463	497
	$ 183	$ 463	$ 646

7. MINORITY AND OTHER INTERESTS

The equity investment of Great-West Lifeco Inc. in Great-West and GWL&A was 100% at December 31, 2000 and December 31, 1999 (note 2). The minority and other interests of GWL&A and Great-West and its subsidiaries are:

	2000	1999
Participating policyholders' share of undistributed surplus	$ 1,444	$ 1,412
Preferred shareholders	477	700
Minority interests in capital stock and surplus	10	17
	$ 1,931	$ 2,129

7. MINORITY AND OTHER INTERESTS *(cont'd)*

Preferred Shareholders

During 2000, through a new wholly owned subsidiary, the Company purchased 8,965,498 Series L 5.20% Non-Cumulative Preferred Shares of Great-West in a private transaction at a purchase price of $23.00 per share for an aggregate purchase price of $206.1 million. The discount of $2.00 per share or $17.9 million was recorded on consolidation as an increase in surplus.

Minority interests in capital stock and surplus

During 1999 the Company purchased 9,198 London Life outstanding common shares for a total consideration of $52 million including acquisition costs. The acquisition has been accounted for by the purchase method resulting in a reduction in minority interest of $14 million and an increase in goodwill of $38 million.

During October 1999, the Company purchased 6,859 Great-West outstanding common shares for a total consideration of $37 million including acquisition costs. The acquisition has been accounted for by the purchase method resulting in a reduction in minority interest of $9 million and an increase in goodwill of $28 million. Subsequent to this acquisition, Great-West, following a consolidation of common shares, acquired the fractional interests in its common shares which was charged to the capital and surplus accounts of Great-West. As a result of these transactions Great-West Lifeco reduced minority interest by $5 million, charged surplus $13 million and received cash of $1 million.

8. CAPITAL STOCK

Authorized

An unlimited number of voting First Preferred Shares, issuable in series; an unlimited number of Class A Preferred Shares, issuable in series; an unlimited number of Second Preferred Shares, issuable in series; and an unlimited number of voting Common Shares.

Issued and Outstanding

	2000		1999	
	Number	**Stated Value (thousands)**	Number	Stated Value (thousands)
Preferred Shares:				
Series B, 7.45% Non-Cumulative First Preferred Shares	**4,000,000**	**$ 100,000**	4,000,000	$ 100,000
Series C, 7.75% Non-Cumulative First Preferred Shares	**4,000,000**	**100,000**	4,000,000	100,000
Series D, 4.70% Non-Cumulative First Preferred Shares	**8,000,000**	**200,000**	8,000,000	200,000
Series 1, 5.00% Non-Cumulative Class A Preferred Shares	**5,192,242**	**129,806**	5,192,242	129,806
Balance, end of year	**21,192,242**	**$ 529,806**	21,192,242	$ 529,806
Common Shares:				
Balance, beginning of year	**374,380,245**	**$ 1,560,892**	373,158,014	$ 1,519,824
Purchased and cancelled under Normal Course Issuer Bid	**(2,555,600)**	**(10,664)**	(904,500)	(3,741)
Issued under Stock Option Plan	**580,080**	**6,331**	258,676	2,226
Issued during the year	**–**	**–**	180,992	2,896
Issued on acquisition of London Life common shares	**–**	**–**	1,215,002	29,160
Issued on acquisition of Great-West common shares	**–**	**–**	472,061	10,527
Balance, end of year	**372,404,725**	**$ 1,556,559**	374,380,245	$ 1,560,892
Total Capital Stock		**$ 2,086,365**		$ 2,090,698

The Series B, 7.45% Non-Cumulative First Preferred Shares are redeemable or convertible to common shares of the Company at the option of the Company on or after December 31, 2002 or convertible to common shares of the Company at the option of the holder on or after June 30, 2003.

The Series C, 7.75% Non-Cumulative First Preferred Shares are redeemable at the option of the Company on or after September 30, 2002 and are convertible to common shares of the Company at the option of the Company on or after September 30, 2004. The shares are convertible to common shares of the Company at the option of the holder on or after March 31, 2005.

On March 10, 1999 the Company issued 8,000,000 Series D, 4.70% Non-Cumulative First Preferred Shares for $25 per share. The shares are redeemable or convertible to common shares of the Company at the option of the Company on or after March 31, 2009 or convertible to common shares of the Company at the option of the holder on or after March 31, 2014.

The Series 1, 5.00% Non-Cumulative Class A Preferred Shares are redeemable or convertible to common shares of the Company at the option of the Company on or after October 31, 2004, or convertible to common shares of the Company at the option of the holder on or after January 31, 2005.

During July 1999 the Company issued 403,487 Series 1, 5.00% Non-Cumulative Class A Preferred Shares for a value of $10 million and 1,215,002 common shares for a value of $29 million in exchange for London Life common shares.

During October 1999 the Company issued 16,287 Series 1, 5.00% Non-Cumulative Class A Preferred Shares and 472,061 common shares for a total value of $11 million in exchange for 6,859 of the minority common shares of Great-West.

During 2000, 2,555,600 (904,500 in 1999) common shares were purchased for cancellation pursuant to the Company's Normal Course Issuer Bids for a total expenditure of $70 million ($21 million in 1999) or $27.34 ($22.99 in 1999) per share and the price in excess of stated value was charged to retained earnings.

9. Stock Based Compensation

The Company has a stock option plan (the"Plan") pursuant to which options to subscribe for common shares of Great-West Lifeco may be granted to certain officers and employees of Great-West Lifeco and its affiliates. The Company's Stock Option Plan Administrative Committee (the"Committee") administers the Plan and, subject to the specific provisions of the Plan, fixes the terms and conditions upon which options are granted. The exercise price of each option granted under the Plan is fixed by the Committee, but cannot under any circumstances be less than the weighted average trading price per Great-West Lifeco common share on the Toronto stock exchange for the five trading days preceding the date of the grant. Options granted under the Plan expire not later than ten years after the date of the grant. Termination of employment may, in certain circumstances, result in forfeiture of the options, unless otherwise determined by the Committee. The maximum number of Great-West Lifeco common shares that may be issued under the Plan is currently 18,500,000.

Three categories of options have been granted under the Plan:

(a) Basic (1) options, which generally become exercisable at the rate of 20% per year commencing on the first anniversary of the grant and expire ten years from the date of the grant. Basic (2) options become exercisable at the rate of 33% per year commencing September 30, 2002 and expire on April 26, 2010.

(b) Contingent Options, which become exercisable only if certain financial targets are attained by Great-West Life & Annuity Insurance Company. Subject to the attainment of those financial targets, Contingent Options either (a) become exercisable on April 1, 2002 and expire on June 26, 2007 or (b) become exercisable at the rate of 25% per year commencing January 1, 1999 and expire on January 27, 2008.

(c) Special Options, which become exercisable only if certain financial targets are attained by the Great-West and by London Life Insurance Company. Subject to the attainment of those financial targets, 40% of the Special Options become exercisable on February 28, 2000 and 20% of the Special Options become exercisable on April 22 in each of the years 2001, 2002 and 2003. All of the Special Options expire on April 21, 2008.

9. STOCK BASED COMPENSATION *(cont'd)*

The following table summarizes the status of, and changes in, options outstanding and the weighted-average exercise price for the years ended December 31:

	2000		1999	
	Options	**Weighted-Average Exercise Price**	Options	Weighted-Average Exercise Price
Outstanding, beginning of year	**10,677,398**	**$ 14.06**	10,396,824	$ 13.32
Granted	**3,621,253**	**24.69**	908,000	24.30
Exercised	**(580,080)**	**10.91**	(258,676)	8.60
Forfeited	**(120,750)**	**18.17**	(368,750)	22.36
Outstanding, end of year	**13,597,821**	**$ 16.99**	10,677,398	$ 14.06
Options exercisable at year-end	**5,086,590**	**$ 11.86**	3,650,998	$ 10.20

The following table summarizes information on the ranges of exercise prices including weighted average remaining contractual life at December 31, 2000:

	Outstanding			Exercisable		
Exercise Price Ranges	Options	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Expiry
$ 8.48 - $ 9.84	**4,532,268**	**5.56**	**8.49**	**3,541,868**	**8.49**	**2006**
$ 11.26 - $ 16.76	**2,988,000**	**6.58**	**16.20**	**653,600**	**16.11**	**2007**
$ 20.24 - $ 22.28	**1,741,550**	**7.22**	**21.51**	**574,522**	**21.78**	**2008**
$ 22.13 - $ 27.25	**769,000**	**8.35**	**23.86**	**146,600**	**23.86**	**2009**
$ 20.22 - $ 32.95	**3,567,003**	**9.46**	**24.75**	**170,000**	**22.03**	**2010**

10. PENSION PLANS AND OTHER POST-RETIREMENT BENEFITS

The major impact of the adoption of the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3461 Employee Future Benefits is the recognition or accrual of the cost of all post retirement benefits other than pensions over the periods of employee service. This change in accounting policy has been applied retroactively without restatement of prior years' financial statements and, results in a charge to minority and other interests of $3 million, a charge to shareholders' surplus of $44 million, an increase in other liabilities of $77 million and an increase in future income taxes receivable of $30 million. There is no material effect on current year net income.

(a) Defined Benefit Pension Plans

(i) The status of the Company's defined benefit pension plans is as follows:

	2000			1999		
	Canada	**United States**	**Total**	Canada	United States	Total
Assets at fair value	**$ 1,245**	**$ 290**	**$ 1,535**	$ 1,206	$ 277	$ 1,483
Accumulated pension obligation	**1,026**	**211**	**1,237**	1,001	182	1,183
Excess of assets over obligations	**219**	**79**	**298**	205	95	300
Unamortized net experience gains and assumption changes	**(163)**	**(37)**	**(200)**	(162)	(58)	(220)
Unamortized net asset at transition	**(8)**	**–**	**(8)**	(14)	–	(14)
Excess funding contribution balance (reflected in Other Assets)	**$ 48**	**$ 42**	**$ 90**	$ 29	$ 37	$ 66
Significant Weighted-Average Actuarial Assumptions:						
Discount rate	**7.00%**	**7.50%**		7.00%	7.50%	
Expected return on assets	**8.00%**	**9.25%**		8.00%	8.50%	
Assumed compensation increase	**5.50%**	**5.00%**		5.50%	5.00%	

(ii) The change in the fair value of plan assets is as follows:

	2000			1999		
	Canada	United States	Total	Canada	United States	Total
Fair value of assets, beginning of year	$ 1,206	$ 277	$ 1,483	$ 1,134	$ 280	$ 1,414
Acquisition related employees	–	–	–	–	4	4
Employee contributions	4	–	4	4	–	4
Employer contributions	1	–	1	1	–	1
Return on plan assets	116	9	125	135	18	153
Benefits paid	(82)	(7)	(89)	(68)	(9)	(77)
Foreign exchange rate changes	–	11	11	–	(16)	(16)
Fair value of assets, end of year	$ 1,245	$ 290	$ 1,535	$ 1,206	$ 277	$ 1,483

(iii) The change in the accrued benefit obligation is as follows:

	2000			1999		
	Canada	United States	Total	Canada	United States	Total
Accumulated pension obligation, beginning of year	$ 1,001	$ 182	$ 1,183	$ 970	$ 184	$ 1,154
Acquisition–related employees	–	–	–	–	6	6
Current service cost	31	11	42	29	12	41
Interest on accrued pension obligation	71	14	85	64	12	76
Actuarial (gains) losses	5	3	8	6	(16)	(10)
Benefits paid	(82)	(7)	(89)	(68)	(5)	(73)
Foreign exchange rate changes	–	8	8	–	(11)	(11)
Accumulated pension obligation, end of year	$ 1,026	$ 211	$ 1,237	$ 1,001	$ 182	$ 1,183

(iv) Pension expense is determined as follows:

	2000			1999		
	Canada	United States	Total	Canada	United States	Total
Current service cost	$ 31	$ 11	$ 42	$ 29	$ 12	$ 41
Employee contributions	(4)	–	(4)	(4)	–	(4)
Employer current service cost	27	11	38	25	12	37
Interest on accrued pension obligation	71	14	85	64	12	76
Amortization of net experience gains and assumption changes	(14)	(3)	(17)	(11)	(7)	(18)
Amortization of net asset at transition	(5)	–	(5)	(5)	–	(5)
Expected return on plan assets	(96)	(26)	(122)	(85)	(18)	(103)
	$ (17)	$ (4)	$ (21)	$ (12)	$ (1)	$ (13)

In Canada, actuarial valuation reports were prepared as at December 31, 1999. In the United States, an actuarial valuation report was prepared during 1999. Actuarial estimates for 2000 were made based on these reports.

(b) Other Pension Plans

(i) The Company also maintains defined contribution pension plans for certain employees and agents the costs of which are as follows:

	2000			1999		
	Canada	United States	Total	Canada	United States	Total
Contributions expensed	$ 2	$ 9	$ 11	$ 1	$ 8	$ 9

10. PENSION PLANS AND OTHER POST-RETIREMENT BENEFITS *(cont'd)*

(ii) In addition, the Company maintains supplemental executive retirement plans for certain key executives which provide certain benefits upon retirement, disability or death.

	2000			1999		
	Canada	United States	Total	Canada	United States	Total
In year expense	$ 2	$ 4	$ 6	$ –	$ 4	$ 4
End of year total liability	$ 22	$ 28	$ 50	$ 21	$ 21	$ 42

(c) Other Post-Retirement Benefits

(i) The status of the Company's other post-retirement benefits plans is as follows:

	2000		
	Canada	United States	Total
Accumulated other post retirement benefits obligation	$ 167	$ 50	$ 217
Unamortized net obligation at transition	–	(20)	(20)
Unamortized experience gain	8	(8)	–
Accrued benefit obligation (reflected in Other Liabilities)	$ 175	$ 22	$ 197

Significant Weighted-Average Actuarial Assumptions:

The discount rate used to determine the accrued benefit obligation was 7.0% for the Canadian plans, 7.5% for the United States plans. In determining the expected cost of Canadian health care benefit plans, it was assumed that health care costs would increase by 7.25% in 2000 and that the rate would gradually decrease to a level of 4.5% by 2005. For the United States health care benefit plans, it was assumed that health care costs would increase by 7.4% in 2000 and that the rate would gradually decrease to a level of 6.5% by 2009.

(ii) The change in the other post-retirement benefits obligation is as follows:

	2000		
	Canada	United States	Total
Accumulated other post-retirement benefits obligation, beginning of year	$ 165	$ 42	$ 207
Current service cost	5	4	9
Interest on accrued other post-retirement benefit obligation	11	3	14
Actuarial (gains) losses	(7)	–	(7)
Benefits paid	(7)	(1)	(8)
Foreign exchange rate changes	–	2	2
Accumulated other post-retirement benefits obligation, end of year	$ 167	$ 50	$ 217

(iii) Other post-retirement benefits expense is determined as follows:

	2000		
	Canada	United States	Total
Current service cost	$ 5	$ 4	$ 9
Interest on accrued other post-retirement benefit obligation	11	3	14
Amortization of unrecognized net obligation at transition	–	1	1
	$ 16	$ 8	$ 24

11. RELATED PARTY TRANSACTIONS

In the normal course of business, Great-West provided insurance benefits amounting to $18 million in 2000 ($16 million in 1999) to other companies within the Power Financial Corporation group of companies. In all cases, transactions were at market terms and conditions.

During the year, Great-West obtained certain administrative services from Investors Group, a member of the Power Financial Corporation group of companies. A total operating and sales expense of $6 million was included in the 2000 financial statements with respect to those services ($10 million in 1999). Great-West also provided life insurance and disability insurance products under a distribution agreement with Investors Group. All services were provided on terms and conditions at least as favourable as market terms and conditions.

During 2000, Great-West and London Life purchased residential mortgages of $297 million from Investors Group. All transactions were at market terms and conditions.

12. INCOME TAXES

(a) Future income taxes consist of the following taxable temporary differences on:

	2000	1999
Policy liabilities	**$ 105**	$ 46
Portfolio investments	**226**	193
Other	**(56)**	(80)
	$ 275	$ 159

(b) The Company's effective income tax rate is made up as follows:

	2000	1999
Combined basic Canadian federal and provincial tax rate	**43.5 %**	44.0 %
Increase (decrease) in the income tax rate resulting from:		
Tax exempt dividends	**(1.6)**	(1.5)
Tax exempt portion of capital gains	**(0.2)**	(0.2)
Lower effective tax rates on income not subject to tax in Canada	**(5.3)**	(6.9)
Investment income tax	**2.4**	2.9
Large corporations tax	**–**	0.1
Impact on rate changes on future income taxes	**0.1**	–
Miscellaneous	**2.2**	(1.0)
Effective income tax rate applicable to current year	**41.1 %**	37.4 %
Decrease in the income tax rate resulting from prior years' tax adjustments	**(3.2) %**	(3.0) %
Effective income tax rate	**37.9 %**	34.4 %

13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Company is an end user of various derivative financial instruments that are not reported on the balance sheet. All contracts are over-the-counter traded and are with counterparties that are highly rated financial institutions.

13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS *(cont'd)*

(a) The following table summarizes the Company's derivative portfolio and related credit exposure:

2000	Notional Amount	Maximum Credit Risk	Future Credit Exposure	Credit Risk Equivalent	Risk Weighted Equivalent
Interest Rate Contracts					
Futures	$ 258	$ 4	$ –	$ 4	$ 1
Swaps	1,033	25	9	34	7
Options written	263	–	–	–	–
Options purchased	2,343	1	11	12	2
	3,897	30	20	50	10
Foreign Exchange Contracts					
Forward contracts	1,414	11	35	46	9
Cross-currency swaps	792	17	53	70	14
	2,206	28	88	116	23
Other Derivative Contracts					
Equity contracts	331	87	25	34	12
	$ 6,434	$ 145	$ 133	$ 200	$ 45
Geographic					
Canada	$ 3,102	$ 122	$ 119	$ 162	$ 38
United States	3,332	23	14	38	7
	$ 6,434	$ 145	$ 133	$ 200	$ 45

1999	Notional Amount	Maximum Credit Risk	Future Credit Exposure	Credit Risk Equivalent	Risk Weighted Equivalent
Interest Rate Contracts					
Futures	$ 354	$ –	$ –	$ –	$ –
Swaps	654	7	5	12	2
Options written	88	–	–	–	–
Options purchased	1,966	6	9	15	3
	3,062	13	14	27	5
Foreign Exchange Contracts					
Forward contracts	771	36	7	43	9
Cross-currency swaps	620	15	40	55	11
	1,391	51	47	98	20
Other Derivative Contracts					
Equity contracts	278	105	24	35	12
	$ 4,731	$ 169	$ 85	$ 160	$ 37
Geographic					
Canada	$ 1,881	$ 161	$ 60	$ 127	$ 30
United States	2,850	8	25	33	7
	$ 4,731	$ 169	$ 85	$ 160	$ 37

(b) The following table provides the use, notional amount and estimated fair value of the Company's derivative portfolio at December 31:

2000

	Contracts Held for Asset/Liability Management – Notional Amount			Contracts Held for Asset/Liability Management	Contracts Held for Other Purposes – Notional Amount			Contracts Held for Other Purposes
	1 Year or Less	1-5 Years	Over 5 Years	Total Estimated Fair Value	1 Year or Less	1-5 Years	Over 5 Years	Total Estimated Fair Value
Interest Rate Contracts								
Futures	$ 258	$ –	$ –	$ 4	$ –	$ –	$ –	$ –
Swaps	113	474	146	20	–	–	300	–
Options written	41	212	10	(5)	–	–	–	–
Options purchased	240	2,103	–	1	–	–	–	–
	652	2,789	156	20	–	–	300	–
Foreign Exchange Contracts								
Forward contracts	65	–	–	(1)	818	531	–	6
Cross–currency swaps	5	279	508	(42)	–	–	–	–
	70	279	508	(43)	818	531	–	6
Other Derivative Contracts								
Equity contracts	53	–	96	84	86	96	–	(2)
	$ 775	$ 3,068	$ 760	$ 61	$ 904	$ 627	$ 300	$ 4
Geographic								
Canada	$ 143	$ 416	$ 712	$ 46	$ 904	$ 627	$ 300	$ 4
United States	632	2,652	48	15	–	–	–	–
	$ 775	$ 3,068	$ 760	$ 61	$ 904	$ 627	$ 300	$ 4

1999

	Contracts Held for Asset/Liability Management – Notional Amount			Contracts Held for Asset/Liability Management	Contracts Held for Other Purposes – Notional Amount			Contracts Held for Other Purposes
	1 Year or Less	1-5 Years	Over 5 Years	Total Estimated Fair Value	1 Year or Less	1-5 Years	Over 5 Years	Total Estimated Fair Value
Interest Rate Contracts								
Futures	$ 354	$ –	$ –	$ (3)	$ –	$ –	$ –	$ –
Swaps	60	377	217	(4)	–	–	–	–
Options written	–	78	10	(9)	–	–	–	–
Options purchased	144	1,822	–	6	–	–	–	–
	558	2,277	227	(10)	–	–	–	–
Foreign Exchange Contracts								
Forward contracts	65	–	–	(1)	706	–	–	36
Cross-currency swaps	54	140	426	(17)	–	–	–	–
	119	140	426	(18)	706	–	–	36
Other Derivative Contracts								
Equity contracts	33	150	95	94	–	–	–	–
	$ 710	$ 2,567	$ 748	$ 66	$ 706	$ –	$ –	$ 36
Geographic								
Canada	$ 244	$ 247	$ 684	$ 85	$ 706	$ –	$ –	$ 36
United States	466	2,320	64	(19)	–	–	–	–
	$ 710	$ 2,567	$ 748	$ 66	$ 706	$ –	$ –	$ 36

13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS *(cont'd)*

(c) Realized gains (losses) net of tax derived from derivative contracts held for other purposes, associated with the management of the volatility of the foreign currency translation of the United States operations into Canadian dollars was $7 million ($5 million in 1999).

14. CONTINGENT LIABILITIES

The Company's subsidiaries are subject to individual legal actions arising in the normal course of business. It is not expected that any of these legal actions will have a material adverse effect on the consolidated financial position of the Company.

In addition, at December 31, 2000 there are three proposed class actions against Great-West (one in each of British Columbia, Ontario and Quebec), and five proposed class actions against London Life (three in Ontario, and one in each of British Columbia and Quebec) related to the availability of policyholder dividends to pay future premiums. There is also a proposed class proceeding in Ontario against the Company, Great-West, London Insurance Group and London Life regarding the participation of the London Life participating policyholder account in the financing of the acquisition of London Insurance Group in 1997 by Great-West. The Courts have not yet decided whether any of these actions will proceed as a class action. These actions are in their early stages, and it is difficult to predict their outcome with certainty. However, based on information presently known, it is not expected that any of these actions will have a material adverse effect on the consolidated financial position of the Company.

15. COMMITMENTS

London Reinsurance Group Inc. (LRG), a subsidiary of London Life Insurance Company (London Life), is required to obtain letters of credit issued on LRG's behalf from approved banks in order to secure obligations under certain reinsurance contracts.

In October, 2000 LRG entered into a syndicated letter of credit facility providing U.S. $1.425 billion in letters of credit capacity. Under the terms and conditions of this facility, collateralization may be required dependent on future credit ratings of specific LRG subsidiaries and London Life. At December 31, 2000, LRG has issued U.S. $1.107 billion in letters of credit under this facility. At December 31, 1999, LRG had issued U.S. $858 million under a previous facility. In addition, LRG has other letter of credit facilities totalling U.S. $40 million (1999 – U.S. $40 million).

16. SEGMENTED INFORMATION

The major reportable segments are the Canadian and United States operations of the Company. In Canada, the Company operates through Great-West and its wholly owned subsidiary London Insurance Group. In the United States, the Company operates primarily through Great West Life and Annuity Insurance Company. The Canadian and United States segments are also presented by participating and non-participating products.

The major business units for the Canadian operating segment are:

Group Insurance	– life, health and disability insurance products for group clients.
Individual Insurance & Investment Products	– life insurance and disability insurance products for individual clients, and payout annuity products for both group and individual clients.
Reinsurance & Specialty General Insurance	– life, property and casualty, accident and health, annuity coinsurance and specialty general insurance in specific niche business markets.
Corporate	– business activities and operations that are not associated with the major business units of Canadian operations.

The major business units for the United States operating segment are:

Employee Benefits	– life, health, disability insurance and 401(k) products for group clients.
Financial Services	– accumulation and payout annuity products for both group and individual clients, as well as life insurance products for individual clients.
Corporate	– business activities and operations that are not associated with the major business units of United States operations.

(a) Consolidated Operations

Year Ended December 31, 2000

	Canadian Operations						
	Shareholders					Participating Policyholders	
	Group Insurance	Individual Insurance & Investment Products	Reinsurance & Specialty	Corporate	Total	Individual Insurance & Investment Products	Total Canada
Income:							
Premium income	$ 1,872	$ 574	$ 2,878	$ –	$ 5,324	$ 1,302	$ 6,626
Net investment income	209	513	412	115	1,249	936	2,185
Fee and other income	51	279	2	14	346	–	346
Total income	2,132	1,366	3,292	129	6,919	2,238	9,157
Benefits and Expenses:							
Paid or credited to policyholders	1,630	719	3,205	6	5,560	1,863	7,423
Other	354	395	61	11	821	260	1,081
Net operating income before income taxes	148	252	26	112	538	115	653
Income taxes	59	95	(10)	24	168	83	251
Net income before minority and other interests	89	157	36	88	370	32	402
Minority and other interests							
Participating policyholders	–	–	–	–	–	23	23
Preferred shareholder dividends	–	–	–	27	27	–	27
Minority shareholders' interest	–	–	(6)	–	(6)	9	3
	–	–	(6)	27	21	32	53
Net income before goodwill amortization	89	157	42	61	349	–	349
Amortization of goodwill	23	28	8	2	61	–	61
Net income	$ 66	$ 129	$ 34	$ 59	$ 288	$ –	$ 288

SUMMARY OF NET INCOME

Preferred shareholder dividends	$ –	$ –	$ –	$ 31	$ 31	$ –	$ 31
Net income – common shareholders	66	129	34	28	257	–	257
Net income	$ 66	$ 129	$ 34	$ 59	$ 288	$ –	$ 288

16. Segmented Information *(cont'd)*

Year Ended December 31, 2000

	United States Operations						
	Shareholders				Participating Policyholders		
	Employee Benefits	Financial Services	Corporate	Total	Financial Services	Total U.S.	Total Company
Income:							
Premium income	$ 1,785	$ 1,159	$ –	$ 2,944	$ 406	$ 3,350	$ 9,976
Net investment income	136	798	42	976	488	1,464	3,649
Fee and other income	1,117	178	–	1,295	–	1,295	1,641
Total income	3,038	2,135	42	5,215	894	6,109	15,266
Benefits and Expenses:							
Paid or credited to policyholders	1,446	1,650	2	3,098	853	3,951	11,374
Other	1,278	228	24	1,530	28	1,558	2,639
Net operating income before income taxes	314	257	16	587	13	600	1,253
Income taxes	106	82	3	191	9	200	451
Net income before minority and other interests	208	175	13	396	4	400	802
Minority and other interests							
Participating policyholders	–	–	–	–	4	4	27
Preferred shareholder dividends	–	–	6	6	–	6	33
Minority shareholders' interest	–	–	–	–	–	–	3
	–	–	6	6	4	10	63
Net income before goodwill amortization	208	175	7	390	–	390	739
Amortization of goodwill	3	1	–	4	–	4	65
Net income	$ 205	$ 174	$ 7	$ 386	$ –	$ 386	$ 674

Summary of Net Income

	Employee Benefits	Financial Services	Corporate	Total	Financial Services	Total U.S.	Total Company
Preferred shareholder dividends	$ –	$ –	$ –	$ –	$ –	$ –	$ 31
Net income – common shareholders	205	174	7	$ 386	–	386	643
Net income	$ 205	$ 174	$ 7	$ 386	$ –	$ 386	$ 674

Year Ended December 31, 1999

	Canadian Operations						
	Shareholders					Participating Policyholders	
	Group Insurance	Individual Insurance & Investment Products	Reinsurance & Specialty	Corporate	Total	Individual Insurance & Investment Products	Total Canada
Income:							
Premium income	$ 1,742	$ 667	$ 2,075	$ –	$ 4,484	$ 1,281	$ 5,765
Net investment income	206	597	379	97	1,279	915	2,194
Fee and other income	49	220	2	7	278	–	278
Total income	1,997	1,484	2,456	104	6,041	2,196	8,237
Benefits and Expenses:							
Paid or credited to policyholders	1,550	895	2,309	21	4,775	1,772	6,547
Other	344	372	50	13	779	274	1,053
Net operating income before income taxes	103	217	97	70	487	150	637
Income taxes	43	82	13	2	140	94	234
Net income before minority and other interests	60	135	84	68	347	56	403
Minority and other interests							
Participating policyholders	–	–	–	–	–	63	63
Preferred shareholder dividends	–	–	–	28	28	–	28
Minority shareholders' interest	–	–	10	2	12	(7)	5
	–	–	10	30	40	56	96
Net income before goodwill amortization	60	135	74	38	307	–	307
Amortization of goodwill	23	28	8	–	59	–	59
Net income	$ 37	$ 107	$ 66	$ 38	$ 248	$ –	$ 248
SUMMARY OF NET INCOME							
Preferred shareholder dividends	$ –	$ –	$ –	$ 33	$ 33	$ –	$ 33
Net income – common shareholders	37	107	66	5	215	–	215
Net income	$ 37	$ 107	$ 66	$ 38	$ 248	$ –	$ 248

16. SEGMENTED INFORMATION *(cont'd)*

Year Ended December 31, 1999

	United States Operations						
	Shareholders				Participating Policyholders		
	Employee Benefits	Financial Services	Corporate	Total	Financial Services	Total U.S.	Total Company
Income:							
Premium income	$ 1,542	$ 818	$ –	$ 2,360	$ 401	$ 2,761	$ 8,526
Net investment income	123	796	38	957	429	1,386	3,580
Fee and other income	817	132	(4)	945	(1)	944	1,222
Total income	2,482	1,746	34	4,262	829	5,091	13,328
Benefits and Expenses:							
Paid or credited to policyholders	1,235	1,344	22	2,601	788	3,389	9,936
Other	989	194	11	1,194	27	1,221	2,274
Net operating income before income taxes	258	208	1	467	14	481	1,118
Income taxes	89	69	(20)	138	(6)	132	366
Net income before minority and other interests	169	139	21	329	20	349	752
Minority and other interests							
Participating policyholders	–	–	–	–	20	20	83
Preferred shareholder dividends	–	–	6	6	–	6	34
Minority shareholders' interest	–	–	1	1	–	1	6
	–	–	7	7	20	27	123
Net income before goodwill amortization	169	139	14	322	–	322	629
Amortization of goodwill	1	–	–	1	–	1	60
Net income	$ 168	$ 139	$ 14	$ 321	$ –	$ 321	$ 569

SUMMARY OF NET INCOME

	Employee Benefits	Financial Services	Corporate	Total	Financial Services	Total U.S.	Total Company
Preferred shareholder dividends	$ –	$ –	$ –	$ –	$ –	$ –	$ 33
Net income – common shareholders	168	139	14	321	–	321	536
Net income	$ 168	$ 139	$ 14	$ 321	$ –	$ 321	$ 569

(b) Consolidated Balance Sheet

December 31, 2000

	Canada			United States			
	Share-holders	Participating Policyholders	Total	Share-holders	Participating Policyholders	Total	Total Company
Assets							
Invested assets	$ 14,160	$ 12,716	$ 26,876	$ 13,814	$ 7,091	$ 20,905	$ 47,781
Goodwill	1,602	–	1,602	77	–	77	1,679
Other assets	4,157	492	4,649	1,367	278	1,645	6,294
Total assets	$ 19,919	$ 13,208	$ 33,127	$ 15,258	$ 7,369	$ 22,627	$ 55,754
Segregated funds assets			18,682			18,477	37,159
Total assets under administration			$ 51,809			$ 41,104	$ 92,913
Liabilities, Capital Stock and Surplus							
Policy liabilities	$ 15,104	$ 11,193	$ 26,297	$ 11,857	$ 6,945	$ 18,802	$ 45,099
Net deferred gains on portfolio investments sold	512	482	994	99	2	101	1,095
Other liabilities	1,687	308	1,995	1,249	203	1,452	3,447
Minority and other interests	487	1,225	1,712	–	219	219	1,931
Capital stock & surplus	2,129	–	2,129	2,053	–	2,053	4,182
Total liabilities, capital stock and surplus	$ 19,919	$ 13,208	$ 33,127	$ 15,258	$ 7,369	$ 22,627	$ 55,754

December 31, 1999

	Canada			United States			
	Share-holders	Participating Policyholders	Total	Share-holders	Participating Policyholders	Total	Total Company
Assets							
Invested assets	$ 15,087	$ 12,292	$ 27,379	$ 13,359	$ 6,424	$ 19,783	$ 47,162
Goodwill	1,658	–	1,658	36	–	36	1,694
Other assets	2,901	390	3,291	1,137	228	1,365	4,656
Total assets	$ 19,646	$ 12,682	$ 32,328	$ 14,532	$ 6,652	$ 21,184	$ 53,512
Segregated funds assets			15,730			17,998	33,728
Total assets under administration			$ 48,058			$ 39,182	$ 87,240
Liabilities, Capital Stock and Surplus							
Policy liabilities	$ 15,216	$ 10,551	$ 25,767	$ 11,386	$ 6,280	$ 17,666	$ 43,433
Net deferred gains on portfolio investments sold	536	557	1,093	92	4	96	1,189
Other liabilities	1,203	370	1,573	1,239	160	1,399	2,972
Minority and other interests	717	1,204	1,921	–	208	208	2,129
Capital stock & surplus	1,974	–	1,974	1,815	–	1,815	3,789
Total liabilities, capital stock and surplus	$ 19,646	$ 12,682	$ 32,328	$ 14,532	$ 6,652	$ 21,184	$ 53,512

17. ACQUISITIONS

(a) Allmerica Group Life and Health Business

On October 6, 1999, Great-West Life & Annuity Insurance Company (GWL&A) entered into a purchase and sale agreement (the Agreement) with Allmerica Financial Corporation (Allmerica) to acquire via assumption reinsurance Allmerica's group life and health insurance business on March 1, 2000. This business primarily consists of administrative services only and stop loss policies. The inforce business was immediately coinsured back to Allmerica and is expected to be underwritten and retained by GWL&A upon each policy renewal date. The effect of this transaction was not material to GWL&A's results of operations or financial position.

(b) General American Group Health and Related Business

Effective January 1, 2000, GWL&A coinsured the majority of General American Life Insurance Company's (General American) group life and health insurance business which primarily consists of administrative services only and stop loss policies. The agreement converted to an assumption reinsurance agreement January 1, 2001. GWL&A assumed approximately $225 million of policy reserves and miscellaneous liabilities in exchange for $225 million of cash and miscellaneous assets from General American.

18. SUBSEQUENT EVENTS

(a) In conjunction with the Corporate Reorganization described in Note 2, Great-West Lifeco and Great-West Life made a joint offer dated December 14, 2000 to purchase the remaining 9,030,014 Great-West Life Series L Preferred Shares not held directly or indirectly by Lifeco for either $23.00 cash or one Great-West Life Series O 5.55% Preferred Share for each Series L Share. The joint offer closed on January 5, 2001, with Lifeco acquiring a further 658,311 Series L Shares, which increased its holding to 9,623,809 Series L Shares and 6,278,671 new Great-West Life Series O Preferred Shares being issued in exchange for 6,278,671 Series L Preferred Shares. After the transaction, there are 11,716,841 Great-West Life Series L shares outstanding with 2,093,032 publicly held.

The Series O 5.55% Non-Cumulative Preferred Shares are redeemable at the option of the Company and are convertible into Series P Preferred Shares at the option of the holder on October 31, 2010 and on October 31 in every fifth year thereafter, subject to the requisite statutory approval.

(b) On January 29, 2001, in relation to an offer by Investors Group to acquire 100% of the outstanding common shares of Mackenzie Financial Corporation, Great-West Life announced it will participate in the offer by investing $230 million to acquire 9,200,000 Investors Group treasury common shares.

Auditors' Report

To the Shareholders of Great-West Lifeco Inc.

We have audited the consolidated balance sheets of Great-West Lifeco Inc. as at December 31, 2000 and 1999 and the summaries of consolidated operations, the consolidated statements of surplus and the consolidated statements of cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
January 31, 2001

FIVE YEAR SUMMARY

(in millions of dollars except earnings per common share)

		2000
At December 31		
Life insurance in force (face amount)	$	501,838
Annuities in force (funds held)		50,190
Health insurance in force (annualized premiums)		13,903
Total assets under administration		92,913
For the Year		
Premiums:		
Life insurance, guaranteed annuities and insured health products	$	7,098
Reinsurance and property and casualty		2,878
Self-funded premium equivalents (ASO contracts)		8,797
Segregated funds deposits:		
Individual products		2,776
Group products		5,325
Total premiums and deposits	$	26,874
Summary of Consolidated Operations		
Income		
Premium income	$	9.976
Net investment income		3,649
Fee and other income		1,641
Total income		15,266
Benefits and Expenses		
Paid or credited to policyholders		11,374
Commissions		694
Operating expenses		1,816
Premium taxes		129
Provision for integration costs		–
Net operating income before income taxes		1,253
Income taxes – current		540
– future		(89)
Net income before minority and other interests		802
Minority and other interests		
Participating policyholders		27
Preferred shareholder dividends		33
Minority shareholders' interest		3
		63
Net income before amortization of goodwill		739
Amortization of goodwill		65
Net income	$	674
Summary of Net Income		
Preferred shareholder dividends	$	31
Net income – common shareholders		643
Net income	$	674
Earnings per common share	$	1.72
Return on common shareholders' equity		18.6 %
Book value per common share	$	9.81
Dividends paid to common shareholders – per share	$	0.65

	1999		1998		1997		1996
$	471,078	$	477,234	$	403,104	$	251,743
	47,255		43,936		39,026		24,505
	9,238		9,309		6,594		5,092
	87,240		83,119		74,206		40,352
$	6,451	$	6,547	$	3,676	$	3,532
	2,075		2,690		911		–
	5,464		4,849		3,500		3,250
	1,962		2,010		1,098		522
	3,988		3,687		3,080		2,301
$	19,940	$	19,783	$	12,265	$	9,605
$	8,526	$	9,237	$	4,587	$	3,532
	3,580		3,516		2,185		1,982
	1,222		1,003		703		567
	13,328		13,756		7,475		6,081
	9,936		10,680		5,723		4,614
	601		538		286		263
	1,550		1,445		862		671
	123		93		71		68
	–		–		250		–
	1,118		1,000		283		465
	378		216		105		198
	(12)		145		(78)		(49)
	752		639		256		316
	83		66		(18)		13
	34		35		15		13
	6		7		1		1
	123		108		(2)		27
	629		531		258		289
	60		58		8		–
$	569	$	473	$	250	$	289
$	33	$	36	$	31	$	30
	536		437		219		259
$	569	$	473	$	250	$	289
$	1.43	$	1.17	$	0.68	$	0.83
	17.1 %		15.4 %		12.5 %		17.2 %
$	8.70	$	8.12	$	7.08	$	5.07
$	0.53	$	0.44	$	0.37	$	0.295

Lifeco

We are thousands of people and millions of dollars working for communities across North America.

Corporate Governance

Great-West Lifeco Inc. was formed in 1986. Lifeco currently owns all of the voting interest in The Great-West Life Assurance Company and all of the voting interest in Great-West Life & Annuity Insurance Company ("GWL&A"). Lifeco is controlled by Power Financial Corporation, which controls, directly or indirectly, approximately 81.66% of Lifeco's outstanding common shares representing approximately 64.99 % of the voting interest in Lifeco.

Lifeco believes that sound corporate governance is essential to the well being of Lifeco and its shareholders. Lifeco currently has no holdings other than securities of Great-West Life and the securities of its subsidiary through which it holds its interest in GWL&A. It carries on no businesses or activities that are unrelated to those holdings. Its Board of Directors is identical to the Board of Great-West Life and many of its Directors are members of the Board of GWL&A. As a result, the processes and structures that are required to properly direct and manage the business and affairs of Lifeco (i.e. prudent and effective corporate governance practices) have largely been implemented through Great-West Life and GWL&A. Lifeco offers the following comments with respect to its corporate governance practices.

Board and Board Committees

The Board of Lifeco is comprised of 22 Directors, and there are currently three Committees of the Board, namely the Executive Committee, the Audit Committee and the Stock Option Plan Administrative Committee. The mandate of the Board is to supervise the management of the business and affairs of Lifeco. The mandate of the Executive Committee is to supervise the management of the business and affairs of Lifeco when the Board is not in session. The mandate of the Audit Committee is to review the financial statements of Lifeco and public disclosure documents containing financial information and to report on such review to the Board. The Audit Committee has direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate. The membership of the Audit Committee of Lifeco is identical to that of the Audit Committee of Great-West Life and both Audit Committees have the same Chairman. The mandate of the Stock Option Plan Administrative Committee is to administer Lifeco's Stock Option Plan.

Board and Board Committee Composition

A majority of the 22 Directors on the Board of Lifeco are "unrelated" to Lifeco. In addition, a number of Directors are free from any interests in, or relationships with, either Lifeco or its controlling shareholder.

A majority of the Directors on the Executive Committee are unrelated to Lifeco. The Audit Committee and the Stock Option Plan Administrative Committee are composed entirely of unrelated non-management Directors and the Chairman of the Board is a non-management Director.

Board Operation

The Chairman's responsibility toward the efficient operation of the Board includes the recommendation, after consultation, of appropriate candidates for nomination to the Board, assessment of the effectiveness of the Board as a whole, of the Committees of the Board, and of the contributions of individual Directors, and recommendations, after consultation, concerning Directors' compensation and any change that would improve the workings of the Board, including increases or decreases in its size, as well as development of Lifeco's approach to governance issues.

Committees may, at the expense of Lifeco, retain such professional advisors as the Committees deem appropriate for purposes of carrying out their duties and responsibilities.

New members of the Board are provided with an orientation concerning Lifeco and its business.

Management is expected to develop an annual business plan incorporating the business objectives and key results for which management is responsible each year, and to submit the plan to the Board for approval. Management is expected to implement the plan, to achieve the objectives and results, and to report to the Board on its progress.

Shareholder Matters

In addition to the public disclosure documents which Lifeco is required to produce by various regulatory authorities, Lifeco communicates with shareholders through quarterly reports, the annual report and press releases when appropriate. Every shareholder inquiry receives a prompt response from an appropriate officer of Lifeco.

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS (As of December 31, 2000)

James W. Burns, O.C. [2,3]
Chairman of the Board of the Company
Deputy Chairman,
Power Corporation of Canada

Gail S. Asper [1]
Corporate Secretary,
CanWest Global Communications Corp

Orest T. Dackow [3]
Corporate Director

André Desmarais [3]
President and Co-Chief Executive Officer,
Power Corporation of Canada
Deputy Chairman,
Power Financial Corporation

Paul Desmarais, P.C., C.C.
Chairman of the Executive Committee,
Power Corporation of Canada

Paul Desmarais, Jr. [2,3]
Chairman and Co-Chief Executive Officer,
Power Corporation of Canada
Chairman,
Power Financial Corporation

Robert Gratton [2,3]
President and Chief Executive Officer,
Power Financial Corporation

Charles H. Hollenberg, M.D., O.C. [3]
Senior Consultant,
Cancer Care Ontario

Daniel Johnson
Of counsel to McCarthy Tétrault

Kevin P. Kavanagh [3]
Company Director
Chancellor, Brandon University

J. Blair MacAulay [2,3]
Of Counsel to Fraser Milner Casgrain

The Right Honourable
Donald F. Mazankowski, P.C., O.C. [3]
Corporate Director
Business Consultant

William T. McCallum [3]
Co-President & Chief Executive Officer
of the Company
President and Chief Executive Officer,
Great-West Life & Annuity Insurance
Company

Raymond L. McFeetors [3]
Co-President & Chief Executive Officer
of the Company
President and Chief Executive Officer,
The Great-West Life Assurance Company
President and Chief Executive Officer,
London Life Insurance Company

Randall L. Moffat [1]
Corporate Director

Jerry E.A. Nickerson [1,2,3]
Chairman,
H.B. Nickerson & Sons Limited

Gordon F. Osbaldeston, P.C., C.C.
Corporate Director

The Honourable
P. Michael Pitfield, P.C., Q.C.
Vice-Chairman,
Power Corporation of Canada
Member of the Senate of Canada

Michel Plessis-Bélair, F.C.A. [1,3]
Vice-Chairman and Chief Financial Officer,
Power Corporation of Canada
Executive Vice-President and
Chief Financial Officer,
Power Financial Corporation

H. Sanford Riley
President and Chief Executive Officer,
Investors Group Inc.

Guy St-Germain, C.M. [1,3]
President,
Placements Laugerma Inc.

Gérard Veilleux, O.C. [1]
President,
Power Communications Inc.

1 member of the Audit Committee
2 member of the Stock Option Plan Administrative Committee
3 member of the Executive Committee

EXECUTIVE OFFICERS

William T. McCallum
Co-President & Chief Executive Officer

Raymond L. McFeetors
Co-President & Chief Executive Officer

Mitchell T.G. Graye
Vice-President, Finance,
United States

D. Craig Lennox
Vice-President, Counsel and Secretary,
United States

William W. Lovatt
Vice-President, Finance,
Canada

Sheila A. Wagar
Vice-President, Counsel and Secretary,
Canada

GLOSSARY OF INSURANCE AND FINANCIAL TERMS

ADMINISTRATIVE SERVICES ONLY: An arrangement where the insurer provides administrative services for a plan sponsor's health benefits plan, such as maintaining enrollment information and adjudicating claims. The plan sponsor bears some or all of the claim risk.

ANNUITY: A contract providing income payments at regular (usually monthly) intervals for a specified period. A life annuity provides payments during the lifetime of the annuitant. An annuity certain provides periodic payments over a specified number of years and is not dependent on any person's survival. An annuity consideration is the payment, or series of payments, made to purchase an annuity. An annuity can be purchased as either registered or non-registered funds.

CASH VALUE: The amount available in cash upon voluntary termination of a policy by its owner before it becomes payable by death or maturity.

CRITICAL ILLNESS INSURANCE: provides a one-time lump sum benefit to an insured who has been diagnosed with a critical condition. Normally, the insured must be diagnosed with a condition listed in the policy and live a certain period of time following the diagnosis, to collect benefits.

DERIVATIVE FINANCIAL INSTRUMENTS: Financial contracts that derive their value from the value of an underlying asset or index, such as interest rates, exchange rates, equities or commodities. Derivative transactions are conducted in the over-the-counter market directly between two parties or on regulated exchange markets.

Swaps are contractual agreements between two parties to exchange a rate of return on one investment for the rate of return on another investment such as a floating rate of interest for a fixed rate of interest. For cross-currency swaps, floating interest payments of one currency are exchanged for floating interest payments in a different currency. Equity index swaps are contracts to pay or receive cash flows based on the increase or decrease in the underlying index.

Options convey the right, but not the obligation, to either buy or sell a specific amount of a financial instrument at a fixed price either at a fixed future date or at any time within a fixed future period. For options purchased, a premium or fee is paid for the right to exercise the option.

Forwards and *Futures* are contracts to either buy or sell a specified currency or financial instrument at a specified price and date in the future. Forward contracts are customized and transacted in the over-the-counter market. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining.

Notional Amount is the face or principal value upon which the performance of a derivative contract is based. In general, notional values are not paid or received.

Maximum Credit Risk is the current replacement cost of all outstanding derivative contracts with a positive (receivable by the company) value.

Future Credit Exposure represents the potential for future changes in value based upon a formula prescribed by the Superintendent of Financial Institutions Canada.

Credit Risk Equivalent represents the total of maximum credit risk and future credit exposure, less collateral.

Risk Weighted Balance represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty on a basis prescribed by the Superintendent of Financial Institutions Canada.

Total Estimated Fair Value is the net of contracts in a receivable position (maximum credit risk) and those in a payable position.

DISABILITY INSURANCE (DI): A type of health insurance designed to compensate insured people for a portion of the income they lose because of a disabling injury or illness. Generally, benefits for disability insurance are in the form of monthly payments. Individual DI policies can be cancellable, where the insurer can terminate the policy at any time by providing written notice and refunding any advance premiums; or non-cancellable, where the insurer must renew the policy until the insured reaches a certain age, and cannot increase premiums.

EMPLOYEE BENEFITS DIVISION: A business unit of Great-West Life & Annuity Insurance Company. Employee Benefits markets life, health and disability insurance and 401(k) products on a group basis to corporations and associations.

EXPERIENCE REFUND: The portion of a group insurance premium that is returned to a group policyholder whose claims experience is better than had been expected when the premium was calculated.

FINANCIAL SERVICES DIVISION: A business unit of Great-West Life & Annuity Insurance Company. Financial Services markets retirement savings products and services to employees of state and local governments, hospitals and non-profit organizations, and public school districts, and life insurance through institutional partners and certain Internet-based brokers.

GROUP INSURANCE OPERATIONS: A business unit of Great-West Life, that markets life, health and disability insurance products for group clients.

INDIVIDUAL INSURANCE & INVESTMENT PRODUCTS: A business unit of Great-West Life in Canada, that markets life insurance and disability income insurance products for individual clients, and accumulation and payout annuity products for both group and individual clients.

LIFE INCOME FUNDS (LIFs): Plans which provide flexible options for receiving income from a company pension plan.

LIFE INSURANCE IN FORCE (FACE AMOUNT): The amount stated as payable at the death of the insured or at the maturity of the policy.

MANAGED CARE: A method of delivering, supervising and co-ordinating health care. In the United States this is often through HMOs and other networks of doctors and hospitals. In Canada, managed care often takes the form of co-ordinating treatment and rehabilitation for customers receiving disability benefits.

GLOSSARY OF INSURANCE AND FINANCIAL TERMS *(cont'd)*

MINIMUM CONTINUING CAPITAL AND SURPLUS REQUIREMENT (MCCSR): A formula to determine the adequacy of an insurance company's capital, specified by the Office of the Superintendent of Financial Institutions Canada.

MORBIDITY RATE: The likelihood that a person of a given age will suffer an illness or disability. The premium that a person pays for health insurance is based in part on the morbidity rate for that person's age group.

MORTALITY RATE: The frequency with which death occurs among a defined group of people. The premium that a person pays for life insurance is based in part on the mortality rate for that person's age group.

NEW ANNUALIZED PREMIUM: A measure of new sales, equal to the full first-year premium on all sales made during the year.

NON-PARTICIPATING LIFE INSURANCE: Life insurance issued on which policyholders do not share in any surplus earnings distributed by the company. No policy dividends are payable. The premium is based on an estimate of future costs and investment earnings very close to what the company feels most likely to occur, with a margin for contingencies and profit.

OSFI: Office of the Superintendent of Financial Institutions Canada. The federal agency responsible for regulating and supervising banks, insurance, trust, loan and investment companies and co-operative credit associations that are licensed or registered by the federal government.

PARTICIPATING LIFE INSURANCE: Life insurance on which policyholders may share in the surplus earnings attributable to the participating business. Policyholder dividends can be left on deposit in the policy as part of the cash value or can be used to purchase additional coverage, pay premiums or make loan payments.

PERSISTENCY: A measure of how long a policy or block of policies remains in force.

POLICY LIABILITIES: Amounts set aside today which, when combined with future premiums and investment income, will provide for future claims and expenses on in force policies.

POLICYHOLDER DIVIDEND: A return to the policyholder of his or her equitable share of the distributable surplus earnings of the participating account. Policyholder dividends are not guaranteed but depend on mortality experience, investment earnings and other factors contributing to the participating account's financial position.

POLICYHOLDER SURPLUS: The amount of participating policyholder assets remaining after all the liabilities have been deducted.

PREMIUM INCOME: The income from sales of insurance policies and retirement savings and income products.

RRIF: Registered retirement income funds. Savings plans which can be purchased using RRSP funds and pay out as long as the fund balance supports the payments. RRIF payments are taxable while the remaining funds are tax sheltered.

REINSURANCE CONTRACTS: These contracts are legal agreements in which an insurer (cedant) transfers certain risks on insurance policies to another insurance company (the reinsurer).

RRSP: Registered Retirement Savings Plan. A plan enabling Canadian citizens to establish tax-sheltered accounts to accumulate money toward retirement. Income taxes on contributions and earnings are deferred until the funds are withdrawn.

SECTION 401(k) PLAN: In the United States, a type of employee retirement plan established by certain corporations.

SECTION 457 PLAN: In the United States, a type of employee retirement plan established by certain tax-exempt organizations.

SEGREGATED FUNDS: Investment funds managed separately from an insurance company's general funds, on behalf of clients. Unlike mutual funds, a percentage of the principal invested may be guaranteed in the event of the death of the investor.

TERM LIFE INSURANCE: Insurance which provides protection for a specific length of time, such as one, five, 10 or 20 years. Most plans allow the policyholder to renew for another term or convert the policy to whole life insurance. The cost of term insurance increases as the policyholder ages. Term insurance does not generally have a cash value.

UNIVERSAL LIFE INSURANCE: A whole life insurance product in which the mortality, investment and expense factors used to calculate premium rates and cash values are stated separately in the pol icy. Expense charges are deducted from the premium, and the balance is credited to the policy's cash value. Each month, the insurer deducts mortality costs from the cash value and credits the remainder of the cash value with interest. The policyholder can specify the premium amount, and change the death benefit after the policy has been issued, subject to restrictions established by the company.

WHOLE LIFE INSURANCE: Insurance which protects the policyholder throughout his or her lifetime, providing death benefits and building cash value. The policyholder may borrow funds against the value of the policy. The premium paying period may vary, e.g., payments may end after 20 years or at age 65. The cash value continues to build after premiums are fully paid. Also called traditional or permanent insurance.

Shareholder Information

Registered Office

100 Osborne Street North, Winnipeg, Manitoba R3C 3A5

Stock Exchange Listings

Symbol: GWO
The Common Shares, First Preferred Shares Series B, C and D, and Class A Preferred Shares, Series 1 are listed on the Toronto Stock Exchange.

Transfer Agent and Registrar

Computershare Trust Company of Canada
151 Front Street W., 8th Floor, Toronto Ontario M5J 2N1
6th Floor – 530 8th Avenue S.W., Calgary, Alberta T2P 3S8
1800 McGill College Avenue, Montreal Quebec H3A 3K9
510 Burrard Street, Vancouver, British Columbia V7C 3B9
200 Portage Avenue, Mezzanine Level, Winnipeg, Manitoba R3C 3X2

Dividends

Common Shares and First Preferred Shares Series B, C and D – Dividend record dates are between the 14th and 17th of March, June, September and December. Dividends are usually paid the last day of each quarter.

Class A Preferred Shares, Series 1 – Dividend record dates are between the 14th and 17th of January, April, July and October. Dividends are paid on the last day of January, April, July and October.

Annual and Special Meeting

April 26, 2001 at a location in Winnipeg as specified in the notice of meeting, at 11:45 a.m. or as soon thereafer as the Annual Meeting of The Great-West Life Assurance Company shall have terminated.
(The Great-West Life Annual Meeting begins at 11:00 a.m.)

Investor Information

For financial information about Great-West Lifeco Inc., please contact:
Canadian Operations: Chief Financial Officer (204) 946-7341
United States Operations: Chief Financial Officer (303) 737-6770

For copies of the Annual or Quarterly Reports, contact the Secretary's Department (204) 946-8366 or visit our web site: **www.gwl.ca**

Great-West Lifeco Inc.

Member of the Power Financial Corporation group of companies

E987(00LIFECO)-03/01

Printed in Canada